Company update

PC components · Taiwan

Hon Hai Precision

(2317.TW/2317 TT)

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of August 12 (NT$)	270.0
12M target price (NT$)	330.0
Previous target price (NT$)	330.0
Unchanged (%)	0.0
Upside (%)	22.2

Key message

1. 2Q26 EPS of NT$4.27 beat consensus, but was slightly below our estimate on lower minority interest; margins were largely in line.
2. 3Q26F sales growth guidance in line, with cloud and consumer electronics the drivers. We forecast 12% QoQ sales growth in 3Q26F, and sales to reach a peak in 4Q26F.
3. Cloud server to drive 2026-27F sales & earnings growth. We estimate a cloud sales weighting of 55% in 2026F and 62% in 2027F on new AI server clients & projects and CPO shipments growth.

Trading data

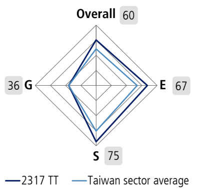
Mkt cap (NT$bn/US$mn)	3,800/117,910
Outstanding shares (mn)	14,076
Foreign ownership (mn)	5,278
3M avg. daily trading (mn)	48.39
52-week trading range (NT$)	187.5 –309.0

Performance	3M	6M	12M
Absolute (%)	8	18.9	37.1
Relative (%)	-0.6	-16.5	-51.3

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	4.27F	4.82F	5.92F

ESG score card



Source: Refinitiv

2Q26 operating margin beat; 2H26F outlook bright

Event

Hon Hai Precision reported solid 2Q26 EPS of NT$4.27, and shared a positive 2H26F outlook on robust AI-related demand.

Impact

Solid 2Q26 EPS, with operating margin growth. 2Q26 EPS of NT$4.27 (up 20% QoQ and 34% YoY) was slightly below our estimate but beat consensus, due mainly to higher minority interest. Gross margin was stable QoQ at 6.1%, as was operating margin of 3.8% despite a higher AI server sales contribution. The cloud sales weighting exceeded 51%, vs. 29% for consumer electronics (CE), 15% for computing and 5% for components, with sales mostly beating guidance. On increased sales, opex ratio continued its downtrend, and thus operating profit saw much stronger growth of 25% QoQ and 68% YoY than sales growth of 19% and 41%, respectively, in 2Q26. 1H26 EPS came in at NT$7.84, up 26% YoY, with gross margin of 6.1% and operating margin of 3.8%, and operating profit YoY growth of 65%.

Strong 3Q26F & 2026F guidance; 2026F operating margin targeting above 3.2% & above 3% long-term; ROE targeting over 12% in 2026F & beyond. Hon Hai guides 3Q26F sales to grow 5-14% QoQ and over 15% YoY, with cloud business the driver of over 15% YoY and QoQ growth on strong server demand. It expects AI server rack sales to grow over 30% QoQ. 3Q26F CE sales will grow 5-14% QoQ and YoY on new iPhone model rollouts, while computing sales look to fall slightly QoQ on early pull-in demand in 2Q26, but will grow YoY on higher ASPs due to rising component costs. Component sales are guided to be flat QoQ but rise YoY. We maintain 12% QoQ sales QpQ growth expectation in 3Q26F, and sales to reach a peak in 4Q26F. The firm’s 2026F sales growth target is unchanged at over 15% YoY, with AI server rack shipments more than doubling and with continuous market share expansion to over 40%. The firm’s GPU server racks will migrate from GB300 to VR200, with increased shipments in 4Q26F, though GB models will continue shipments in 2027F while VR will become the mainstream model. Management guides ASIC AI server sales will enjoy solid growth, as it penetrates Google’s (US) TPU for L11 shipments after 4Q26F. ASIC server contribution will thus grow from over 10% of AI server sales in 2025 and 1H26, boosting AI server sales and profitability as most ASIC servers are consigned with an assembly surcharge (MVA) booked only under sales We expect vertical integration of the AI server supply chain from L1 components (QD, liquid cooling and connector) to L6 (UBB, compute and switch board), L11 (rack assembly) and L12 (superpod) to bolster Hon Hai’s competitiveness. Continued strong AI server demand will boost 2027F EPS. Our 2026F EPS is fine-tuned to NT$18.67, up 38% YoY, and 2027F EPS to NT$22.64, up 21% YoY.

Valuation & Action

We maintain our target price of NT$330 (16x average 2026-27F EPS) and Outperform rating, on rising competitiveness in the AI server market, with a growing ROE.

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$mn)	6,162,221	6,859,615	8,103,105	11,010,682	14,019,401
Gross profit (NT$mn)	387,947	428,946	498,161	653,991	793,405
Operating profit (NT$mn)	166,528	200,607	259,223	396,065	476,823
Net profit (NT$mn)	142,098	152,705	189,354	260,706	316,140
EPS (NT$)	10.25	11.01	13.61	18.67	22.64
Cash DPS (NT$)	5.40	5.80	7.20	9.95	12.07
EPS growth (%)	0.4	7.4	23.7	37.2	21.3
PE (x)	26.3	24.5	19.8	14.5	11.9
PB (x)	2.5	2.3	2.1	2.0	1.8
EV/EBITDA (x)	11.8	11.4	9.7	7.6	6.8
Net debt to equity (%)	Net cash	Net cash	11.7	23.1	29.8
Dividend yield (%)	2.0	2.1	2.7	3.7	4.5
Return on average equity (%)	9.7	9.7	11.1	14.2	16.1

Source: Company data; KGI Research estimates

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

	2Q26							3Q26F						
NT$mn	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	2,525,894	2,513,270	0.5	19.2	40.8	2,410,547	4.8	2,829,002	2,814,863	0.5	12.0	37.4	2,716,861	4.1
Gross profits	154,533	154,566	(0.0)	18.0	36.1	145,718	6.0	166,911	166,077	0.5	8.0	27.7	164,995	1.2
Operating income	94,803	92,991	1.9	25.3	67.5	80,534	17.7	101,844	98,520	3.4	7.4	44.4	93,671	8.7
Pretax Income	94,866	93,056	1.9	28.1	45.6	85,340	11.2	104,196	99,735	4.5	9.8	19.9	98,212	6.1
Net income	59,974	61,882	(3.1)	20.1	35.2	57,399	4.5	67,728	66,823	1.4	12.9	17.4	66,363	2.1
EPS (NT$)	4.27	4.42	(3.1)	19.8	33.9	4.09	4.5	4.82	4.77	1.4	12.9	16.2	4.72	2.1
Gross margin (%)	6.1	6.1	(0.0)ppts	(1.0)ppts	(3.4)ppts	6.0	0.1 ppts	5.9	5.9	(0.0)ppts	(3.6)ppts	(7.1)ppts	6.1	(0.2)ppts
OP margin (%)	3.8	3.7	0.1 ppts	5.2 ppts	18.9 ppts	3.3	0.4 ppts	3.6	3.5	0.1 ppts	(4.1)ppts	5.1 ppts	3.4	0.2 ppts
Net margin (%)	2.4	2.5	(0.1)ppts	0.8 ppts	(4.0)ppts	2.4	(0.0)ppts	2.4	2.4	0.0 ppts	0.8 ppts	(14.5)ppts	2.4	(0.0)ppts

Source: Company data; Bloomberg; KGI Research

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

	2026F						2027F					
NT$mn	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	11,010,682	10,966,245	0.4	35.9	10,441,572	5.5	14,019,401	13,949,335	0.5	27.3	13,168,707	6.5
Gross profit	653,991	652,183	0.3	31.3	630,671	3.7	793,405	789,440	0.5	21.3	766,945	3.4
Operating income	396,065	390,310	1.5	52.8	358,355	10.5	476,823	468,648	1.7	20.4	438,926	8.6
Pretax Income	398,274	389,371	2.3	35.7	368,714	8.0	477,007	465,016	2.6	19.8	453,898	5.1
Net income	260,706	261,028	(0.1)	37.7	250,480	4.1	316,140	315,762	0.1	21.3	310,020	2.0
EPS (NT$)	18.67	18.69	(0.1)	37.2	17.94	4.1	22.64	22.61	0.1	21.3	22.20	2.0
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	3.6	0.0 ppts	0.4 ppts	3.4	0.2 ppts	3.4	3.4	0.0 ppts	(0.2)ppts	3.3	0.1 ppts
Net margin (%)	2.4	2.4	(0.0)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

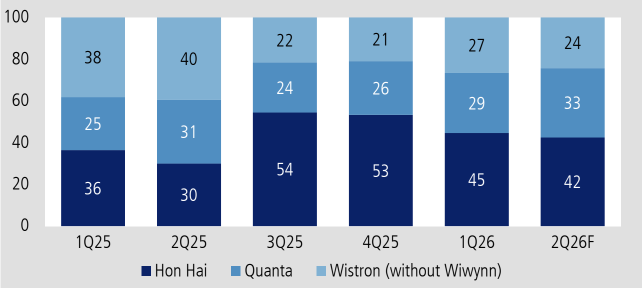
Figure 3: Sales mix

Sales (NT$bn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	2023	2024	2025	2026F	2027F
Consumer electronics	658	632	767	1,028	704	733	784	1,018	3,366	3,155	3,084	3,238	3,303
Cloud	560	729	869	1,098	1,015	1,287	1,573	2,156	1,358	2,024	3,256	6,031	8,564
Computing	316	317	304	294	293	376	339	223	1,079	1,255	1,230	1,230	1,169
Components/Others	111	116	119	186	108	130	134	139	359	425	532	511	984
Total	1,644	1,793	2,059	2,606	2,120	2,526	2,829	3,536	6,162	6,860	8,103	11,011	14,019
Weighting (%)	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**	**3Q26F**	**4Q26F**	**2023**	**2024**	**2025**	**2026F**	**2027F**
Consumer electronics	40	35	37	39	33	29	28	29	54	46	38	29	24
Cloud	34	41	42	42	48	51	56	61	22	30	40	55	61
Computing	19	18	15	11	14	15	12	6	18	18	15	11	8
Components/Others	7	6	6	7	5	5	5	4	6	6	7	5	7
Total	100	100	100	100	100	100	100	100	100	100	100	100	100
YoY (%)	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**	**3Q26F**	**4Q26F**	**2023**	**2024**	**2025**	**2026F**	**2027F**
Consumer electronics	4	2	(8)	(4)	7	16	2	(1)	(4)	(6)	(2)	5	2
Cloud	50	45	49	95	81	77	81	96	(13)	49	61	85	42
Computing	33	(5)	(4)	(20)	(7)	19	12	(24)	(11)	16	(2)	0	(5)
Components/Others	41	24	(4)	45	(3)	12	12	(25)	(2)	19	25	(4)	92
Total	24	16	11	22	29	41	37	36	(7)	11	18	36	27
QoQ (%)	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**	**3Q26F**	**4Q26F**	**2023**	**2024**	**2025**	**2026F**	**2027F**
Consumer electronics	(39)	(4)	21	34	(31)	4	7	30					
Cloud	(1)	30	19	26	(8)	27	22	37					
Computing	(14)	0	(4)	(3)	(1)	29	(10)	(34)					
Components/Others	(14)	4	3	56	(42)	21	3	4					
Total	(23)	9	15	27	(19)	19	12	25					

Source: Company data; KGI Research estimates

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

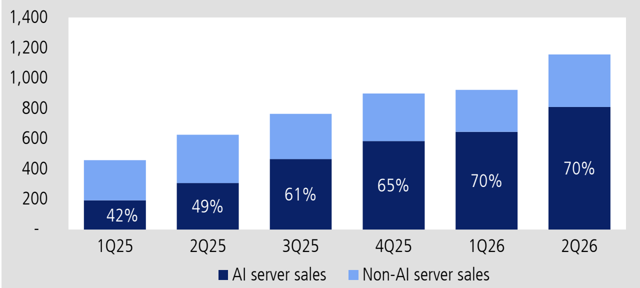
GB200/ 300 shipments weighting, percent



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: Hon Hai has advantages in supply chain integration from L1 to L12 in AI server products

Source: Company data; KGI Research

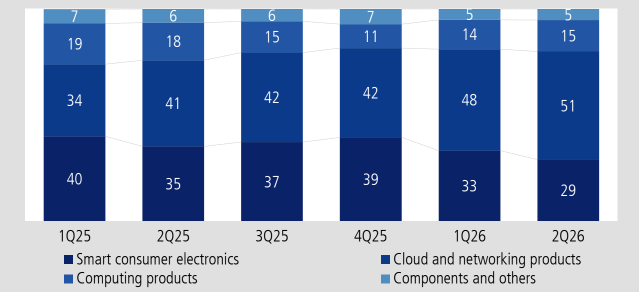
Figure 7: Company profile

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 8: Sales by segment

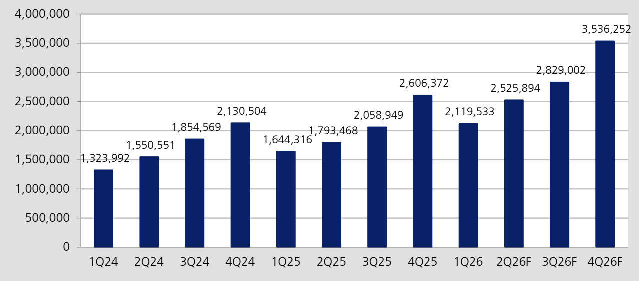
Sales weighting, percent



Source: Company data; KGI Research

Figure 9: Sales

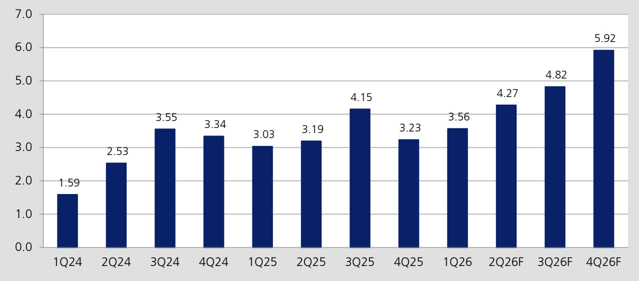
Sales, NT$mn



Source: KGI Research

Figure 10: EPS

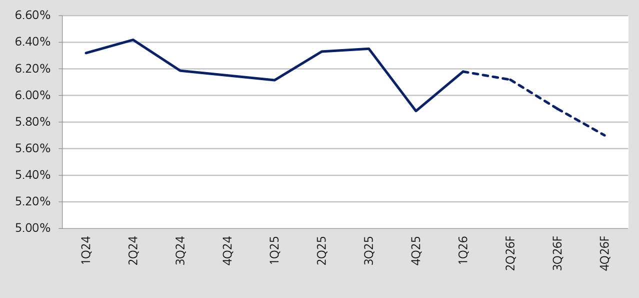
EPS, NT$



Source: KGI Research

Figure 11: Gross Margin

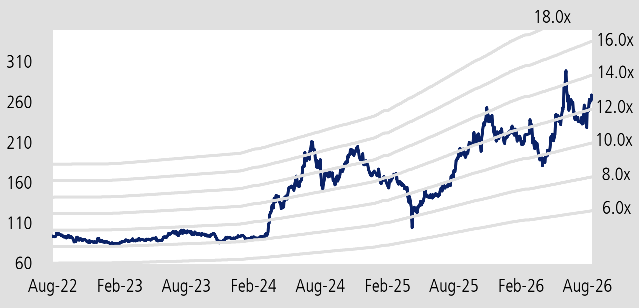
Gross margin, percent



Source: KGI Research

Figure 12: 12M forward PE band

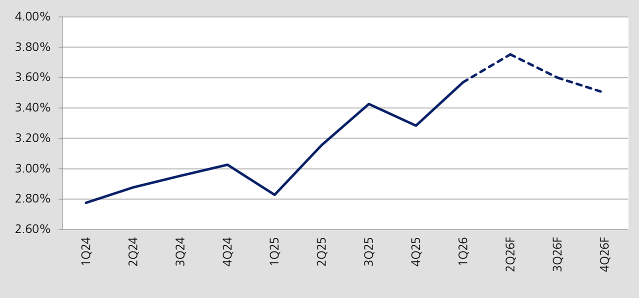
Share price, NT$ (LHS); PE ratio, x (RHS)



Source: KGI Research

Figure 13: Operating Margin

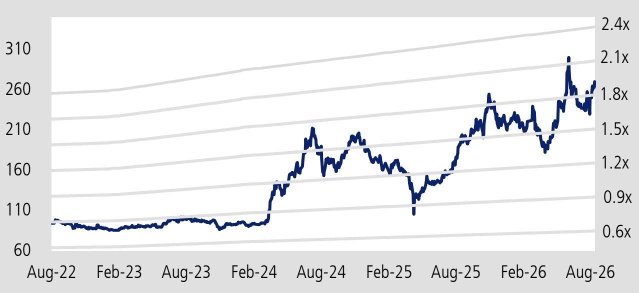
Operating margin, percent



Source: KGI Research

Figure 14: 12M forward PB band

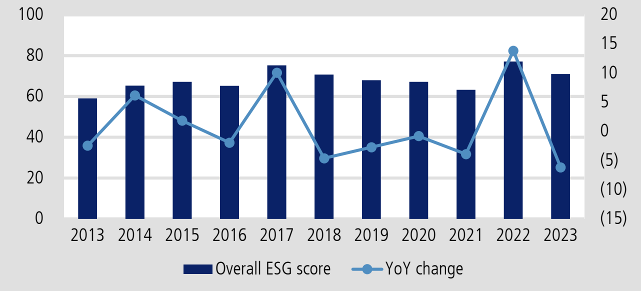
Share price, NT$ (LHS); PB ratio, x (RHS)



Source: KGI Research

Figure 15: Overall ESG score

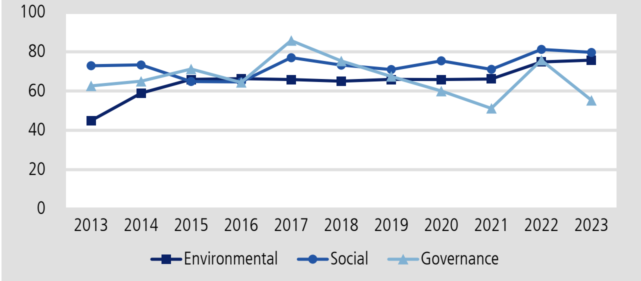
ESG score, points (LHS); YoY change, points (RHS)



Source: Refinitiv; Company data

Figure 16: ESG score

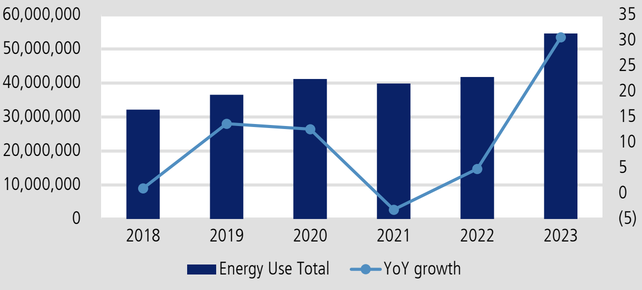
ESG score, points



Source: Refinitiv; Company data

Figure 17: Energy use

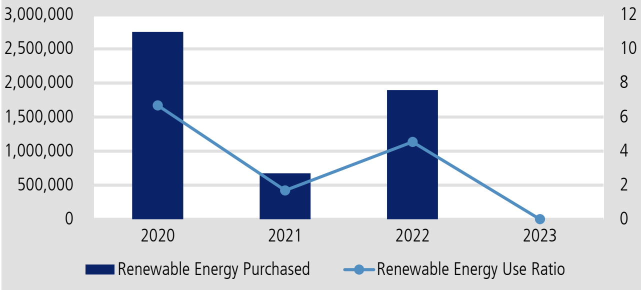
Energy use, gigajoules (LHS); YoY growth, percent (RHS)



Source: Refinitiv; Company data

Figure 18: Renewable energy

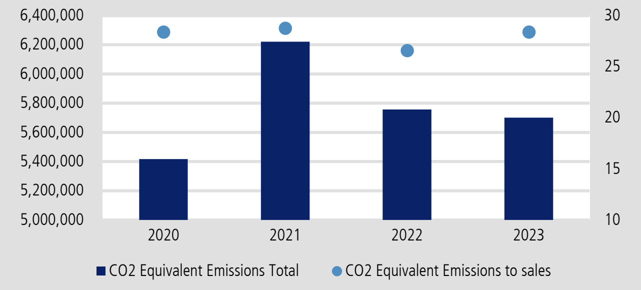
Energy use, gigajoules (LHS); use ratio, percent (RHS)



Source: Refinitiv; Company data

Figure 19: CO2 equivalent emissions

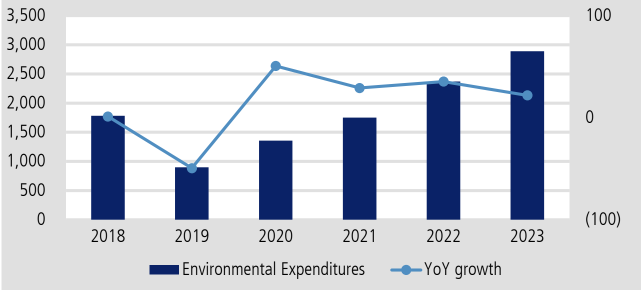
CO2 equivalent emissions, mt (LHS); emissions to revenue, mt/ US$mn



Source: Refinitiv; Company data

Figure 20: Environmental expenditures

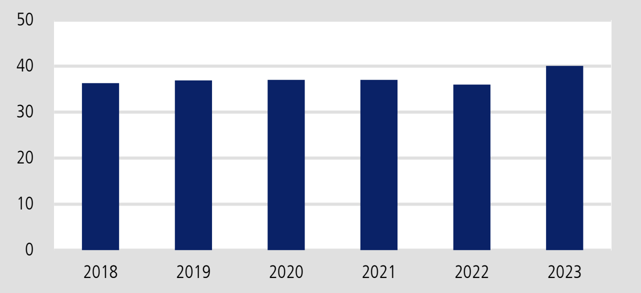
Environmental expenditures, NT$mn (LHS); YoY growth rate, percent (RHS)



Source: Refinitiv; Company data

Figure 21: Gender diversification

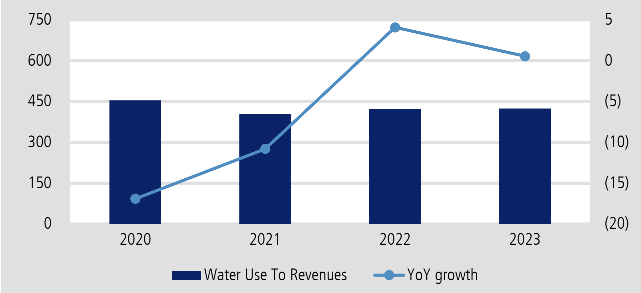
Female employees, percent



Source: Refinitiv; Company data

Figure 22: 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**	**2,525,894**	**2,829,002**	**3,536,252**	**8,103,105**	**11,010,682**	**14,019,401**
Cost of goods sold	(1,543,767)	(1,679,939)	(1,928,192)	(2,453,045)	(1,988,553)	(2,371,361)	(2,662,091)	(3,334,686)	(7,604,944)	(10,356,690)	(13,225,996)
Gross profit	**100,548**	**113,529**	**130,757**	**153,327**	**130,981**	**154,533**	**166,911**	**201,566**	**498,161**	**653,991**	**793,405**
Operating expenses	(54,048)	(56,933)	(60,220)	(67,736)	(55,332)	(59,730)	(65,067)	(77,798)	(238,938)	(257,927)	(316,582)
Operating profit	**46,500**	**56,596**	**70,536**	**85,591**	**75,649**	**94,803**	**101,844**	**123,769**	**259,223**	**396,065**	**476,823**
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**	**121,844**	**128,885**	**151,050**	**356,976**	**504,227**	**607,699**
Interest income	8,131	7,652	7,118	8,109	7,842	7,406	7,459	7,127	31,010	29,834	31,540
Investment income	6,498	1,983	5,665	3,530	844	500	1,500	2,156	17,676	5,000	4,500
Other non-op income	5,525	7,644	13,348	3,543	1,459	3,748	6,000	8,793	30,059	20,000	15,000
Non-operating income	**20,153**	**17,278**	**26,131**	**15,182**	**10,146**	**11,655**	**14,959**	**18,076**	**78,744**	**54,834**	**51,040**
Interest expense	(7,533)	(8,725)	(9,774)	(12,065)	(11,031)	(11,391)	(11,156)	(11,047)	(38,096)	(44,625)	(45,055)
Investment loss	-	-	-	-	(2,544)	(200)	(200)	(56)	-	(3,000)	(2,300)
Other non-op expenses	-	-	-	(6,426)	1,812	-	(1,250)	(5,562)	(6,426)	(5,000)	(3,500)
Non-operating expenses	**(7,533)**	**(8,725)**	**(9,774)**	**(18,491)**	**(11,763)**	**(11,591)**	**(12,606)**	**(16,664)**	**(44,523)**	**(52,625)**	**(50,855)**
Pre-tax profit	**59,120**	**65,149**	**86,893**	**82,282**	**74,031**	**94,866**	**104,196**	**125,180**	**293,445**	**398,274**	**477,007**
Current taxation	(13,287)	(15,613)	(20,863)	(28,648)	(17,075)	(24,810)	(26,049)	(31,634)	(78,410)	(99,569)	(116,867)
Minorities	(3,726)	(5,176)	(8,358)	(8,421)	(7,037)	(10,082)	(10,420)	(10,461)	(25,681)	(38,000)	(44,000)
Normalised net profit	**42,108**	**44,361**	**57,673**	**45,212**	**49,919**	**59,974**	**67,728**	**83,085**	**189,354**	**260,706**	**316,140**
Extraordinary items	(0)	(0)	0	(0)	0	-	-	(0)	-	-	-
Net profit	**42,108**	**44,361**	**57,673**	**45,212**	**49,919**	**59,974**	**67,728**	**83,085**	**189,354**	**260,706**	**316,140**
EPS (NT$)	3.03	3.19	4.15	3.23	3.56	4.27	4.82	5.92	13.61	18.67	22.64
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	3.8	3.6	3.5	3.2	3.6	3.4
EBITDA margin	4.3	4.5	4.6	4.3	4.8	4.8	4.6	4.3	4.4	4.6	4.3
Pretax profit margin	3.6	3.6	4.2	3.2	3.5	3.8	3.7	3.5	3.6	3.6	3.4
Net profit margin	2.6	2.5	2.8	1.7	2.4	2.4	2.4	2.3	2.3	2.4	2.3
Sequential growth (%)											
Revenue growth	(22.8)	9.1	14.8	26.6	(18.7)	19.2	12.0	25.0			
Gross profit growth	(23.3)	12.9	15.2	17.3	(14.6)	18.0	8.0	20.8			
Operating profit growth	(27.9)	21.7	24.6	21.3	(11.6)	25.3	7.4	21.5			
EBITDA growth	(23.0)	14.4	19.2	16.6	(8.0)	18.9	5.8	17.2			
Pretax profit growth	(6.6)	10.2	33.4	(5.3)	(10.0)	28.1	9.8	20.1			
Net profit growth	(9.1)	5.3	30.0	(21.6)	10.4	20.1	12.9	22.7			
YoY growth (%)											
Revenue growth	24.2	15.7	11.0	22.3	28.9	40.8	37.4	35.7	18.1	35.9	27.3
Gross profit growth	20.2	14.1	14.0	17.0	30.3	36.1	27.7	31.5	16.1	31.3	21.3
Operating profit growth	26.5	26.9	28.8	32.7	62.7	67.5	44.4	44.6	29.2	52.8	20.4
EBITDA growth	22.8	24.9	25.0	22.4	46.3	52.2	35.0	35.6	23.7	41.2	20.5
Pretax profit growth	81.9	34.6	28.4	30.0	25.2	45.6	19.9	52.1	38.5	35.7	19.8
Net profit growth	91.3	26.6	16.9	(2.4)	18.6	35.2	17.4	83.8	24.0	37.7	21.3

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**	**5,836,388**	**6,613,730**
Current assets	**3,035,966**	**3,375,765**	**3,961,827**	**4,571,938**	**5,278,992**
Cash & ST securities	1,350,230	1,315,992	1,596,804	1,386,615	1,241,691
Inventory	730,765	835,016	1,095,574	1,491,993	1,905,348
Accounts receivable	872,270	1,141,418	1,181,307	1,605,187	2,043,811
Other current assets	82,700	83,338	88,143	88,143	88,143
Non-current assets	**903,823**	**1,018,734**	**1,142,845**	**1,264,450**	**1,334,738**
LT investments	393,134	406,269	447,044	447,204	444,787
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**	**3,705,884**	**4,291,599**
Current liabilities	**1,909,335**	**2,174,818**	**2,710,849**	**3,341,660**	**3,904,128**
Accounts payable	893,119	1,133,052	1,331,933	1,813,875	2,316,406
Interest bearing ST liabilities	648,993	642,783	940,441	1,051,278	1,081,665
Other current liabilities	367,222	398,982	438,475	476,507	506,056
Non-current liabilities	**344,211**	**368,094**	**423,060**	**364,224**	**387,471**
Long-term debt	271,625	287,793	306,086	247,249	270,496
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**	**2,130,504**	**2,322,132**
Share capital	138,630	138,907	139,642	139,642	139,642
Retained earnings reserve	987,704	1,024,330	1,187,661	1,309,402	1,457,029
Minority interests	193,135	206,386	197,992	235,992	279,992
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
Growth					
Revenue growth	(7.0%)	11.3%	18.1%	35.9%	27.3%
Operating profit growth	(4.2%)	20.5%	29.2%	52.8%	20.4%
EBITDA growth	0.3%	15.0%	23.7%	41.2%	20.5%
Net profit growth	0.4%	7.5%	24.0%	37.7%	21.3%
EPS growth	0.4%	7.4%	23.7%	37.2%	21.3%
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%	4.6%	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%	5.1%
Return on average equity	9.7%	9.7%	11.1%	14.2%	16.1%
Stability					
Gross debt to equity	54.6%	50.3%	63.3%	60.9%	58.2%
Net debt to equity	Net cash	Net cash	11.7%	23.1%	29.8%
Interest coverage (x)	3.9	6.8	8.7	9.9	11.6
Interest & ST debt coverage (x)	0.2	0.2	0.2	0.2	0.3
Cash flow interest coverage(x)	6.8	4.5	6.0	0.6	2.1
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$mn)	(277,044)	(6,533)	230,087	492,275	690,834
Per share data					
EPS (NT$)	10.25	11.01	13.61	18.67	22.64
CFPS (NT$)	32.14	11.97	16.31	2.04	6.83
BVPS (NT$)	107.70	118.44	126.95	135.67	146.24
Adj BVPS (NT$)	107.72	118.58	127.42	135.67	146.24
SPS (NT$)	444.56	494.43	582.42	788.49	1,003.95
EBITDA/share (NT$)	18.10	20.79	25.66	36.11	43.52
Cash DPS (NT$)	5.40	5.80	7.20	9.95	12.07
Activity					
Sales / avg assets	1.53	1.65	1.71	2.01	2.25
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$mn	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
Revenue	**6,162,221**	**6,859,615**	**8,103,105**	**11,010,682**	**14,019,401**
Cost of goods sold	(5,774,274)	(6,430,670)	(7,604,944)	(10,356,690)	(13,225,996)
Gross profit	**387,947**	**428,946**	**498,161**	**653,991**	**793,405**
Operating expenses	(221,419)	(228,339)	(238,938)	(257,927)	(316,582)
Operating profit	**166,528**	**200,607**	**259,223**	**396,065**	**476,823**
Non-operating income	**114,525**	**69,767**	**78,744**	**54,834**	**51,040**
Interest income	81,700	45,577	31,010	29,834	31,540
Investment income	5,222	6,506	17,676	5,000	4,500
Other non-op income	27,603	17,684	30,059	20,000	15,000
Non-operating expenses	**(88,829)**	**(58,499)**	**(44,523)**	**(52,625)**	**(50,855)**
Interest expense	(65,543)	(36,795)	(38,096)	(44,625)	(45,055)
Investment loss	(18,952)	(12,183)	-	(3,000)	(2,300)
Other non-op expenses	(4,334)	(9,521)	(6,426)	(5,000)	(3,500)
Pre-tax profit	**192,224**	**211,875**	**293,445**	**398,274**	**477,007**
Current taxation	(37,435)	(40,196)	(78,410)	(99,569)	(116,867)
Minorities	(12,691)	(18,974)	(25,681)	(38,000)	(44,000)
Extraordinary items	-	0	(0)	-	-
Net profit	**142,098**	**152,705**	**189,354**	**260,706**	**316,140**
EBITDA	**250,934**	**288,489**	**356,976**	**504,227**	**607,699**
EPS (NT$)	10.25	11.01	13.61	18.67	22.64

Cash flow

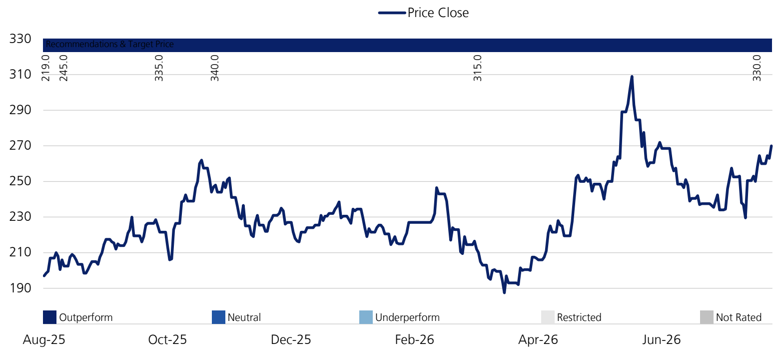
NT$mn	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
Operations cash flow	**445,553**	**166,029**	**226,852**	**28,511**	**95,369**
Net profit	142,098	152,705	189,354	260,706	316,140
Depreciation & amortisation	84,406	87,882	97,753	108,162	130,876
Decrease in working capital	247,995	(105,479)	(105,743)	(338,356)	(349,448)
Other operating cash flow	(28,946)	30,921	45,489	(2,000)	(2,200)
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**	**(162,754)**	**(62,151)**
Financing cash flow	**(160,638)**	**(164,072)**	**169,947**	**(10,932)**	**(41,329)**
Increase in short term debt	(74,237)	(25,783)	295,646	50,000	50,000
Increase in long term loans	27,361	(8,480)	5,270	2,000	3,635
New ordinary shares issued	4,805	-	-		
Ordinary dividends paid	(80,722)	(83,134)	(106,731)	(100,932)	(138,964)
Other financing cashflow	(37,845)	(46,675)	(24,238)	38,000	44,000
Forex effects	**(11,704)**	**37,534**	**(12,778)**		
Total cash generated	**135,336**	**(260,555)**	**79,332**	**(210,188)**	**(144,924)**

ROIC

	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
1 - COGS/revenue					
- Operating exp./revenue	3.6%	3.3%	2.9%	2.3%	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**	**7.0**	**7.1**
Operating margin	2.7%	2.9%	3.2%	3.6%	3.4%
x Capital turnover	7.4	6.7	7.0	7.0	7.1
x (1 - tax rate)	80.5%	81.0%	73.3%	75.0%	75.5%
= After-tax ROIC	**16.1%**	**16.0%**	**16.4%**	**18.8%**	**18.2%**

Source: Company data; KGI Research estimates

Hon Hai Precision – Recommendation & target price history



Date	Rating	Target	Price
2026-08-10	Outperform	330.0	264.5
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

Source: TEJ; KGI Research

KGI Locations

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