

## Hon Hai (2317.TW/2317 TT)

### 4Q25 EPS a miss but margins beat; bright 2026F AI server outlook

FTSE4Good TIP Taiwan ESG Index stock

#### Outperform · Maintained

Price as of March 16 (NT\$)	216.5
12M target price (NT\$)	315.0
Previous target price (NT\$)	340.0
Revised down (%)	7.4
Upside (%)	45.5

#### Key message

- 4Q25 EPS of NT\$3.23 and 2025 EPS of NT\$13.61 missed, with better-than-expected margins offset by lower non-operating profit.
- Management guides 1Q26F sales to decline 15-20% QoQ but grow over 15% YoY, with cloud server sales outperforming, rising over 15% YoY and flat QoQ.
- 2026F growth driver is AI server; new clients & projects in AI server to boost AI shipments to double and cloud sales weighting up to 50%+ in 2026F.

#### Trading data

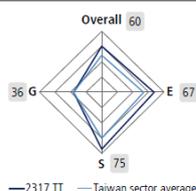
Mkt cap (NT\$bn/US\$m)	3,034 / 94,676
Outstanding shares (mn)	14,012
Foreign ownership (mn)	5,278
3M avg. daily trading (mn)	39.64
52-week trading range (NT\$)	112.5 – 262.0

Performance	3M	6M	12M
Absolute (%)	-0.7	0.5	27.4
Relative (%)	-21.8	-29.6	-24.4

#### 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	3.22F	3.79F	4.79F	5.66F

#### ESG score card



Source: Refinitiv

#### Event

Hon Hai reported lower-than-expected 4Q25 EPS of NT\$3.23 and 2025 EPS of NT\$13.61, with better-than-expected margins offset by lower non-operating profit. Management guides 1Q26F sales will drop over 15% QoQ but slightly better than seasonality, while 2026F sales will grow over 15% YoY on cloud sales expansion due to growing AI demand.

#### Impact

**4Q25 EPS a miss, but margins beat.** 4Q25 EPS of NT\$3.23 was down 22% QoQ and 2% YoY, missing both our forecast and consensus due to higher-than-expected interest expenses and tax rate, despite revenue beating our estimate by 11% with growth of 27% QoQ. Revenue was driven by strong cloud sales which reached a 42% weighting, surpassing CE sales peak season weighting of 39% for the first time. A higher cloud contribution saw 4Q25 gross margin decline 0.5ppts QoQ to 5.9%, in line with our estimate. Operating margin fell only 0.1ppts to 3.3%, thanks to operating leverage. However, due to a higher-than-expected tax rate (nearly 35%) and net interest expense, 4Q25 EPS fell 22% QoQ to NT\$3.23, missing our estimate. 2025 EPS reached NT\$13.61, up 24% YoY, but was also a miss. Cash dividend is NT\$7.2 per share, for a 52.9% payout ratio and a 3.3% yield.

**1Q26F sales beating seasonality; cloud the key driver in 2026F.** Hon Hai guides 1Q26F sales to decline 15-20% QoQ but grow over 15% YoY, with cloud server sales outperforming. Cloud sales will grow over 15% YoY and be flat QoQ (on higher consign AI server sales weighting) while CE and component sales will fall over 15% QoQ due to slow season. Computing sales are guided a lesser decline of 5-14% QoQ given new product launches by Apple (US). We forecast 1Q26F sales to fall 17% QoQ, better than seasonality over the past five years. Hon Hai still guides strong sales growth of over 15% this year, driven by cloud business. Despite uncertainty from geopolitical and currency issues, AI server will remain the driver in 2026F, with AI server shipments to double as per guidance. Integrated product offerings, diversified AI model penetration (GPU, ASIC), increased numbers of clients and projects and a solid financial structure will all help generate strong competitiveness. Coupled with sales scale expansion, the firm targets 2026F operating margin of over 3%, vs. 3.2% in 2025. We believe 2026F GPU and ASIC AI server shipments will double, pushing AI server sales to also double from NT\$1.4tn last year, while the cloud sales weighting will rise to 56%. But on a higher tax rate and interest expenses, we cut 2026F EPS to NT\$17.51 and 2027F to NT\$20.67.

#### Valuation & Action

We lower our target price from NT\$340 to NT\$315 (18x 2026F EPS) and maintain an Outperform rating on growing competitiveness in the AI server market.

#### Risks

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

#### Key financials and valuations

	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
Revenue (NT\$m)	6,162,221	6,859,615	8,103,105	11,229,336	13,463,494
Gross profit (NT\$m)	387,947	428,946	498,161	654,305	762,057
Operating profit (NT\$m)	166,528	200,607	259,223	360,873	437,381
Net profit (NT\$m)	142,098	152,705	189,354	244,481	288,593
EPS (NT\$)	10.25	11.01	13.61	17.51	20.67
Cash DPS (NT\$)	5.40	5.80	7.20	9.33	11.02
EPS growth (%)	0.4	7.4	23.7	28.6	18.0
PE (x)	21.1	19.7	15.9	12.4	10.5
PB (x)	2.0	1.8	1.7	1.6	1.5
EV/EBITDA (x)	9.3	9.1	7.9	7.6	6.8
Net debt to equity (%)	Net cash	Net cash	11.7	28.2	34.5
Dividend yield (%)	2.5	2.7	3.3	4.3	5.1
Return on average equity (%)	9.7	9.7	11.1	13.4	14.8

Source: Company data, KGI Research estimates

**Figure 1: Breakdown of 4Q25 results & 1Q26 forecast revisions vs. consensus**

NT\$m	4Q25							1Q26F						
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	2,606,372	2,357,497	10.6	26.6	22.3	2,451,099	6.3	2,176,321	2,121,747	2.6	(16.5)	32.4	2,100,701	3.6
Gross profits	153,327	139,092	10.2	17.3	17.0	149,051	2.9	126,227	125,183	0.8	(17.7)	25.5	126,840	(0.5)
Operating income	85,591	73,082	17.1	21.3	32.7	78,224	9.4	66,378	61,531	7.9	(22.4)	42.7	65,570	1.2
Pretax Income	82,282	65,549	25.5	(5.3)	30.0	83,304	(1.2)	67,320	63,031	6.8	(18.2)	13.9	71,499	(5.8)
Net income	45,212	59,812	(24.4)	(21.6)	(2.4)	59,959	(24.6)	45,104	45,680	(1.3)	(0.2)	7.1	51,102	(11.7)
EPS (NT\$)	3.23	4.31	(24.4)	(21.6)	(2.4)	4.28	(24.6)	3.22	3.29	(1.3)	(0.2)	6.3	3.65	(11.7)
Gross margin (%)	5.9	5.9	(0.0)ppts	(0.5)ppts	(0.3)ppts	6.1	(0.2)ppts	5.8	5.9	(0.1)ppts	(0.1)ppts	(0.3)ppts	6.0	(0.2)ppts
OP margin (%)	3.3	3.1	0.2 ppts	(0.1)ppts	0.3 ppts	3.2	0.1 ppts	3.1	2.9	0.2 ppts	(0.2)ppts	0.2 ppts	3.1	(0.1)ppts
Net margin (%)	1.7	2.5	(0.8)ppts	(1.1)ppts	(0.4)ppts	2.4	(0.7)ppts	2.1	2.2	(0.1)ppts	0.3 ppts	(0.5)ppts	2.4	(0.4)ppts

Source: Company data; Bloomberg; KGI Research

**Figure 2: Breakdown of 2025 results & 2026-27 forecast revisions vs. consensus**

NT\$m	2025						2026F						2027F			
	Actual	KGI forecast	Diff. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	KGI forecast	YoY (%)	Consensus	Diff. (%)
Sales	8,103,105	7,854,229	3.2	18.1	7,963,053	1.8	11,229,336	11,229,813	(0.0)	38.6	10,059,948	11.6	13,463,494	19.9	11,749,844	14.6
Gross profit	498,161	483,926	2.9	16.1	494,665	0.7	654,305	631,632	3.6	31.3	607,822	7.6	762,057	16.5	695,591	9.6
Operating income	259,223	246,715	5.1	29.2	252,034	2.9	360,873	344,746	4.7	39.2	321,096	12.4	437,381	21.2	375,416	16.5
Pretax Income	293,445	276,712	6.0	38.5	294,421	(0.3)	364,642	350,746	4.0	24.3	346,536	5.2	431,457	18.3	400,901	7.6
Net income	189,354	203,953	(7.2)	24.0	204,956	(7.6)	244,481	262,604	(6.9)	29.1	249,019	(1.8)	288,593	18.0	289,753	(0.4)
EPS (NT\$)	13.61	14.68	(7.3)	23.7	14.73	(7.6)	17.51	18.90	(7.4)	28.6	17.83	(1.8)	20.67	18.0	20.75	(0.4)
Gross margin (%)	6.1	6.2	(0.0)ppts	(0.1)ppts	6.2	(0.1)ppts	5.8	5.6	0.2 ppts	(0.3)ppts	6.0	(0.2)ppts	5.7	(0.2)ppts	5.9	(0.3)ppts
OP margin (%)	3.2	3.1	0.1 ppts	0.3 ppts	3.2	0.0 ppts	3.2	3.1	0.1 ppts	0.0 ppts	3.2	0.0 ppts	3.2	0.0 ppts	3.2	0.1 ppts
Net margin (%)	2.3	2.6	(0.3)ppts	0.1 ppts	2.6	(0.2)ppts	2.2	2.3	(0.2)ppts	(0.2)ppts	2.5	(0.3)ppts	2.1	(0.0)ppts	2.5	(0.3)ppts

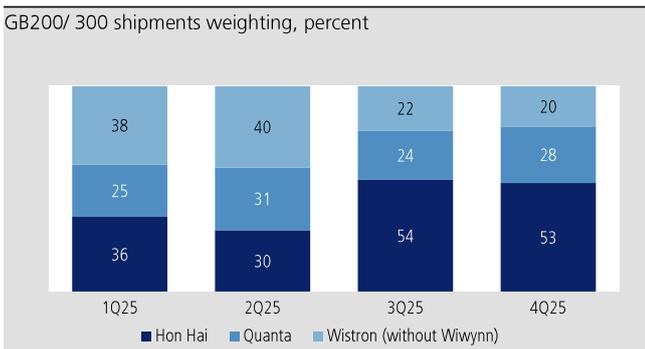
Source: Company data; Bloomberg; KGI Research estimates

**Figure 3: Sales mix**

Sales (NT\$bn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26F	2020	2021	2022	2023	2024	2025	2026F
Smart consumer electronics	634	621	829	1,071	658	632	767	1,028	688	2,593	3,280	3,496	3,366	3,155	3,084	3,331
Cloud & networking	373	502	585	563	560	729	859	1,098	1,098	1,316	1,267	1,557	1,358	2,024	3,246	6,236
Computing	238	333	315	369	316	317	304	294	274	1,136	1,114	1,208	1,079	1,255	1,230	1,107
Components & others	79	94	125	128	111	116	129	186	116	313	334	365	359	425	542	555
Total	1,324	1,551	1,855	2,131	1,644	1,793	2,059	2,606	2,176	5,358	5,994	6,627	6,162	6,860	8,103	11,229
Weighting (%)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26F	2020	2021	2022	2023	2024	2025	2026F
Smart consumer electronics	48	40	45	50	40	35	37	39	32	48	55	53	54	46	38	30
Cloud & networking	28	32	32	26	34	41	42	42	50	25	21	24	22	30	40	56
Computing	18	22	17	17	19	18	15	11	13	21	19	18	18	18	15	10
Components & others	6	6	7	6	7	6	6	7	5	6	6	6	6	6	7	5
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
YoY (%)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26F	2020	2021	2022	2023	2024	2025	2026F
Smart consumer electronics	(23)	(3)	(0)	(0)	4	2	(8)	(4)	5	(2)	27	7	(4)	(6)	(2)	8
Cloud & networking	15	54	72	52	50	45	47	95	96	5	(4)	23	(13)	49	60	92
Computing	(4)	28	14	26	33	(5)	(4)	(20)	(13)	2	(2)	8	(11)	16	(2)	(10)
Components & others	10	19	35	11	41	24	4	45	4.4	(3)	7	9	(2)	19	27	2
Total	(9)	19	20	15	24	16	11	22	32	0	12	11	(7)	11	18	39
QoQ (%)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26F	2020	2021	2022	2023	2024	2025	2026F
Smart consumer electronics	(41)	(2)	33	29	(39)	(4)	21	34	(33)							
Cloud & networking	1	35	17	(4)	(1)	30	18	28	0							
Computing	(18)	40	(5)	17	(14)	0	(4)	(3)	(7)							
Components & others	(32)	19	33	3	(14)	4	12	44	(38)							
Total	(29)	17	20	15	(23)	9	15	27	(17)							

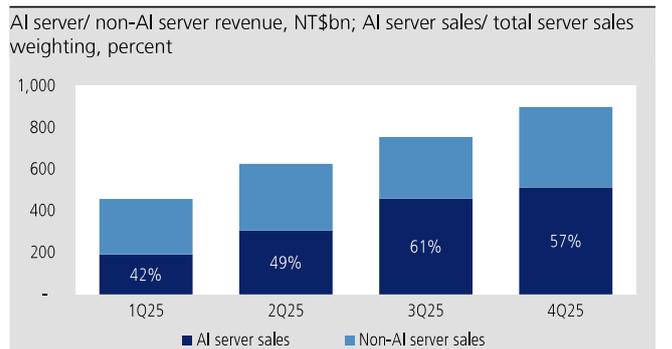
Source: Company data; KGI Research estimates

**Figure 4: Hon Hai was dominant in 2H25 GB AI shipments; Quanta & Wistron followed behind**



Source: Company data; KGI Research estimates

**Figure 5: Hon Hai's AI server sales rose sequentially in 2H25 as manufacturing bottlenecks were resolved**



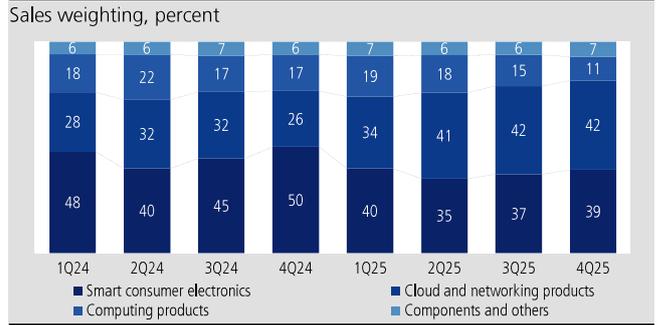
Source: Company data; KGI Research estimates

**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.

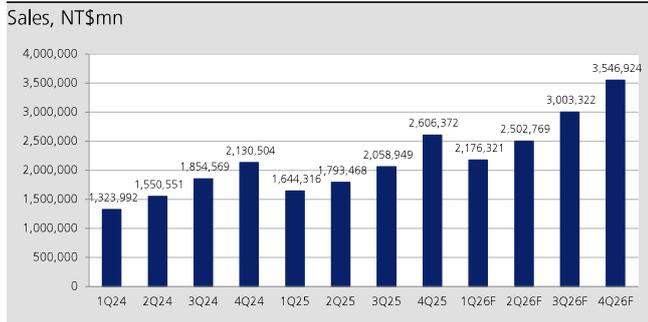
Source: Company data; KGI Research

**Figure 7: Sales by segment**



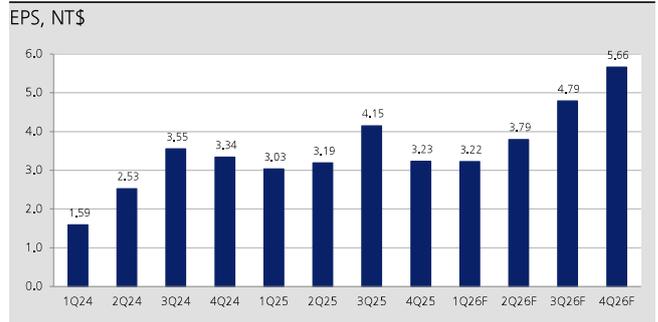
Source: Company data; KGI Research

**Figure 8: Sales**



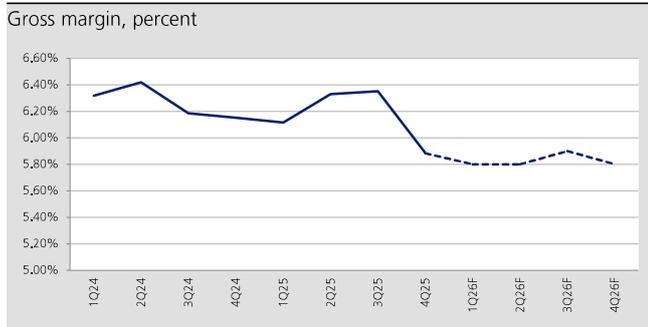
Source: KGI Research

**Figure 9: EPS**



Source: KGI Research

**Figure 10: Gross Margin**



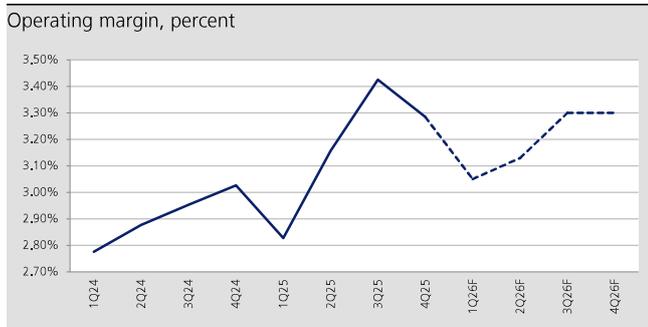
Source: KGI Research

**Figure 11: 12M forward PE band**



Source: KGI Research

**Figure 12: Operating Margin**



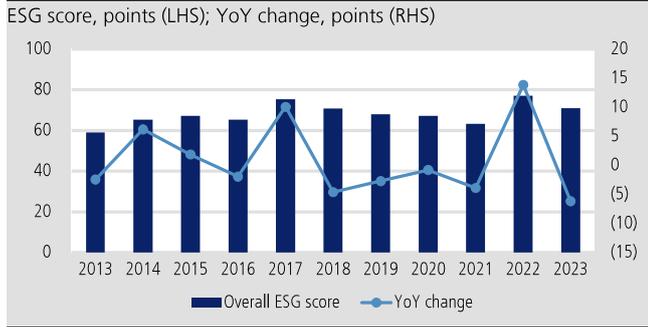
Source: KGI Research

**Figure 13: 12M forward PB band**



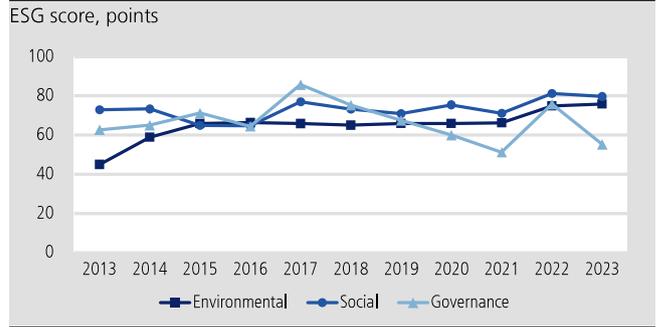
Source: KGI Research

**Figure 14: Overall ESG score**



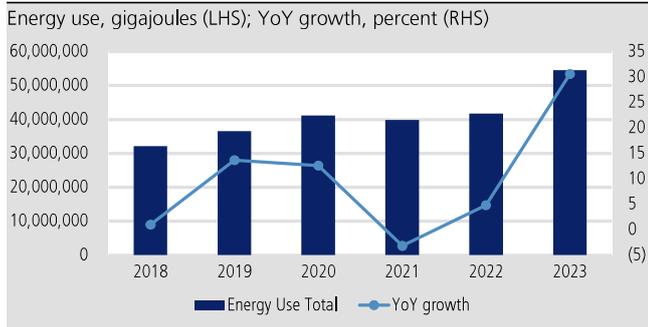
Source: Refinitiv; Company data

**Figure 15: ESG score**



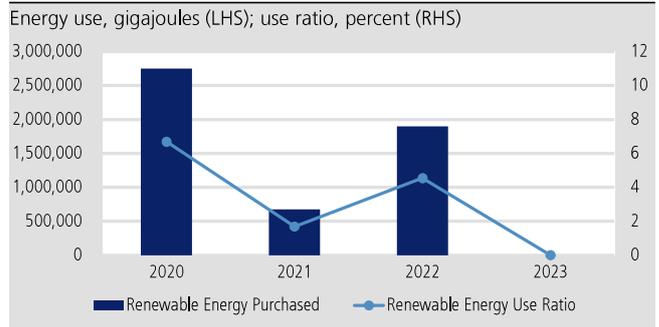
Source: Refinitiv; Company data

**Figure 16: Energy use**



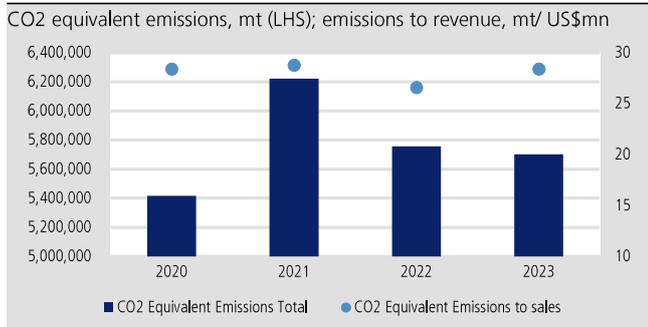
Source: Refinitiv; Company data

**Figure 17: Renewable energy**



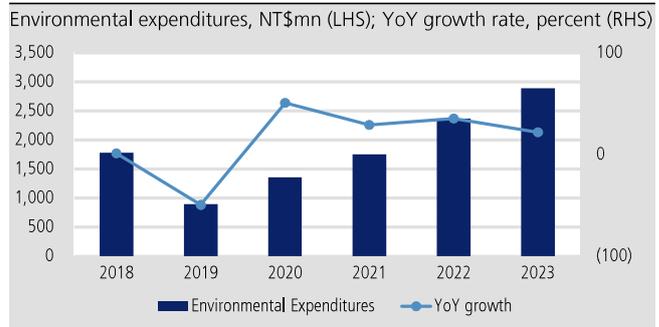
Source: Refinitiv; Company data

**Figure 18: CO2 equivalent emissions**



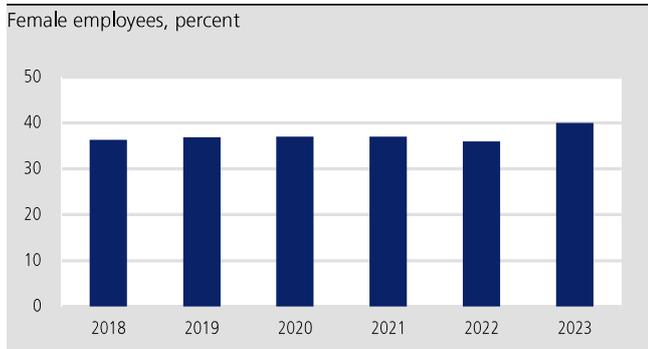
Source: Refinitiv; Company data

**Figure 19: Environmental expenditures**



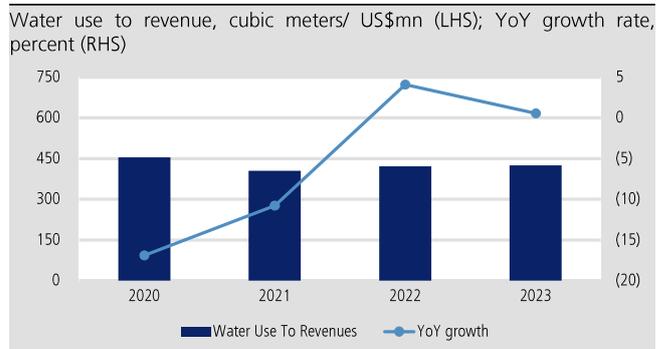
Source: Refinitiv; Company data

**Figure 20: Gender diversification**



Source: Refinitiv; Company data

**Figure 21: Water use to revenue**



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"> <li>- the total amount of energy that has been consumed within the boundaries of the company's operations</li> <li>- total energy use = total direct energy consumption + indirect energy consumption</li> <li>- purchased energy and produced energy are included in total energy use</li> <li>- 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)</li> <li>- for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use'</li> </ul>	
Renewable energy purchased	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased</li> </ul>	
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"> <li>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)</li> <li>- following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)</li> </ul>	
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"> <li>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)</li> <li>- following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)</li> </ul>	
Waste total	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> <li>- total waste = non-hazardous waste + hazardous waste</li> <li>- 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</li> <li>- for sectors like mining, oil &amp; gas, waste generation like tailings, waste rock, coal and fly ash are also considered</li> </ul>	
Waste recycling ratio	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> <li>- waste recycling ratio = waste recycled/total waste*100</li> <li>- waste to energy or waste incinerated with energy recovery are considered as waste recycled</li> <li>- waste recovered via composting is considered as recycled waste</li> </ul>	
Water withdrawal total	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- different sources of water like wells, town/utility/municipal water, river water, and surface water are considered</li> </ul>	
Environmental expenditures	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> <li>- all environmental investment &amp; expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures</li> </ul>	
Turnover of employees	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- employees turnover rate = (employees leaving/average number of employees)*100</li> <li>- where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2</li> <li>- employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving</li> </ul>	
Women managers	<p>Percentage of women managers.</p> <ul style="list-style-type: none"> <li>- percentage of women managers among total managers of the company</li> <li>- 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</li> <li>- percentage of women managers = number of women managers/total number of managers*100</li> </ul>	
Women employees	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> <li>- percentage of women employees to the total number of employees of the company</li> <li>- percentage of women employees = number of women/total number of employees*100</li> </ul>	
Training hours total	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> <li>- consider only employee training hours</li> <li>- includes all types of training given to general employees (such as health &amp; safety, environmental, emergency response, skills &amp; career development training)</li> <li>- if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked</li> </ul>	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv; KGI Research

**Income statement**

Income statement (NT\$m)	Quarterly								Annually		
	Mar-25A	Jun-25A	Sep-25A	Dec-25A	Mar-26F	Jun-26F	Sep-26F	Dec-26F	Dec-25A	Dec-26F	Dec-27F
<b>Revenue</b>	<b>1,644,316</b>	<b>1,793,468</b>	<b>2,058,949</b>	<b>2,606,372</b>	<b>2,176,321</b>	<b>2,502,769</b>	<b>3,003,322</b>	<b>3,546,924</b>	<b>8,103,105</b>	<b>11,229,336</b>	<b>13,463,494</b>
Cost of goods sold	(1,543,767)	(1,679,939)	(1,928,192)	(2,453,045)	(2,050,094)	(2,357,608)	(2,826,126)	(3,341,202)	(7,604,944)	(10,575,031)	(12,701,437)
<b>Gross profit</b>	<b>100,548</b>	<b>113,529</b>	<b>130,757</b>	<b>153,327</b>	<b>126,227</b>	<b>145,161</b>	<b>177,196</b>	<b>205,722</b>	<b>498,161</b>	<b>654,305</b>	<b>762,057</b>
Operating expenses	(54,048)	(56,933)	(60,220)	(67,736)	(59,849)	(66,824)	(78,086)	(88,673)	(238,938)	(293,432)	(324,676)
<b>Operating profit</b>	<b>46,500</b>	<b>56,596</b>	<b>70,536</b>	<b>85,591</b>	<b>66,378</b>	<b>78,337</b>	<b>99,110</b>	<b>117,048</b>	<b>259,223</b>	<b>360,873</b>	<b>437,381</b>
Depreciation of fixed assets	(22,620)	(22,562)	(24,079)	(24,936)	(14,796)	(14,796)	(14,796)	(14,796)	(94,198)	(59,186)	(77,286)
Amortisation of intangible assets	(902)	(922)	(872)	(859)	(1,351)	(1,351)	(1,351)	(1,351)	(3,555)	(5,406)	(5,406)
<b>EBITDA</b>	<b>70,021</b>	<b>80,081</b>	<b>95,488</b>	<b>111,386</b>	<b>82,526</b>	<b>94,485</b>	<b>115,258</b>	<b>133,196</b>	<b>356,976</b>	<b>425,464</b>	<b>520,073</b>
Interest income	8,131	7,652	7,118	8,109	7,833	7,833	7,833	7,833	31,010	31,334	24,705
Investment income	6,498	1,983	5,665	3,530	3,250	3,250	3,250	3,250	17,676	13,000	8,000
Other non-op income	5,525	7,644	13,348	3,543	2,750	2,750	2,750	2,750	30,059	11,000	11,000
<b>Non-operating income</b>	<b>20,153</b>	<b>17,278</b>	<b>26,131</b>	<b>15,182</b>	<b>13,833</b>	<b>13,833</b>	<b>13,833</b>	<b>13,833</b>	<b>78,744</b>	<b>55,334</b>	<b>43,705</b>
Interest expense	(7,533)	(8,725)	(9,774)	(12,065)	(11,391)	(11,391)	(11,391)	(11,391)	(38,096)	(45,565)	(44,129)
Investment loss	-	-	-	-	(500)	(500)	(500)	(500)	-	(2,000)	(2,000)
Other non-op expenses	-	-	-	(6,426)	(1,000)	(1,000)	(1,000)	(1,000)	(6,426)	(4,000)	(3,500)
<b>Non-operating expenses</b>	<b>(7,533)</b>	<b>(8,725)</b>	<b>(9,774)</b>	<b>(18,491)</b>	<b>(12,891)</b>	<b>(12,891)</b>	<b>(12,891)</b>	<b>(12,891)</b>	<b>(44,523)</b>	<b>(51,565)</b>	<b>(49,629)</b>
<b>Pre-tax profit</b>	<b>59,120</b>	<b>65,149</b>	<b>86,893</b>	<b>82,282</b>	<b>67,320</b>	<b>79,279</b>	<b>100,052</b>	<b>117,991</b>	<b>293,445</b>	<b>364,642</b>	<b>431,457</b>
Current taxation	(13,287)	(15,613)	(20,863)	(28,648)	(16,830)	(19,820)	(25,013)	(29,498)	(78,410)	(91,160)	(107,864)
Minorities	(3,726)	(5,176)	(8,358)	(8,421)	(5,386)	(6,342)	(8,004)	(9,268)	(25,681)	(29,000)	(35,000)
<b>Normalised net profit</b>	<b>42,108</b>	<b>44,361</b>	<b>57,673</b>	<b>45,212</b>	<b>45,104</b>	<b>53,117</b>	<b>67,035</b>	<b>79,225</b>	<b>189,354</b>	<b>244,481</b>	<b>288,593</b>
Extraordinary items	(0)	(0)	0	(0)	-	-	-	-	-	-	-
<b>Net profit</b>	<b>42,108</b>	<b>44,361</b>	<b>57,673</b>	<b>45,212</b>	<b>45,104</b>	<b>53,117</b>	<b>67,035</b>	<b>79,225</b>	<b>189,354</b>	<b>244,481</b>	<b>288,593</b>
EPS (NT\$)	3.03	3.19	4.15	3.23	3.22	3.79	4.79	5.66	13.61	17.51	20.67
<b>Margins (%)</b>											
Gross profit margin	6.1	6.3	6.4	5.9	5.8	5.8	5.9	5.8	6.1	5.8	5.7
Operating margin	2.8	3.2	3.4	3.3	3.1	3.1	3.3	3.3	3.2	3.2	3.2
EBITDA margin	4.3	4.5	4.6	4.3	3.8	3.8	3.8	3.8	4.4	3.8	3.9
Pretax profit margin	3.6	3.6	4.2	3.2	3.1	3.2	3.3	3.3	3.6	3.2	3.2
Net profit margin	2.6	2.5	2.8	1.7	2.1	2.1	2.2	2.2	2.3	2.2	2.1
<b>Sequential growth (%)</b>											
Revenue growth	(22.8)	9.1	14.8	26.6	(16.5)	15.0	20.0	18.1			
Gross profit growth	(23.3)	12.9	15.2	17.3	(17.7)	15.0	22.1	16.1			
Operating profit growth	(27.9)	21.7	24.6	21.3	(22.4)	18.0	26.5	18.1			
EBITDA growth	(23.0)	14.4	19.2	16.6	(25.9)	14.5	22.0	15.6			
Pretax profit growth	(6.6)	10.2	33.4	(5.3)	(18.2)	17.8	26.2	17.9			
Net profit growth	(9.1)	5.3	30.0	(21.6)	(0.2)	17.8	26.2	18.2			
<b>YoY growth (%)</b>											
Revenue growth	24.2	15.7	11.0	22.3	32.4	39.5	45.9	36.1	18.1	38.6	19.9
Gross profit growth	20.2	14.1	14.0	17.0	25.5	27.9	35.5	34.2	16.1	31.3	16.5
Operating profit growth	26.5	26.9	28.8	32.7	42.7	38.4	40.5	36.8	29.2	39.2	21.2
EBITDA growth	22.8	24.9	25.0	22.4	17.9	18.0	20.7	19.6	23.7	19.2	22.2
Pretax profit growth	81.9	34.6	28.4	30.0	13.9	21.7	15.1	43.4	38.5	24.3	18.3
Net profit growth	91.3	26.6	16.9	(2.4)	7.1	19.7	16.2	75.2	24.0	29.1	18.0

Source: Company data, KGI Research estimates

**Balance sheet**

NT\$m	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
<b>Total assets</b>	<b>3,939,789</b>	<b>4,394,500</b>	<b>5,104,672</b>	<b>5,755,799</b>	<b>6,283,327</b>
<b>Current assets</b>	<b>3,035,966</b>	<b>3,375,765</b>	<b>3,961,827</b>	<b>4,437,089</b>	<b>4,840,521</b>
Cash & ST securities	1,350,230	1,315,992	1,596,804	1,188,435	959,830
Inventory	730,765	835,016	1,095,574	1,523,447	1,829,779
Accounts receivable	872,270	1,141,418	1,181,307	1,637,063	1,962,769
Other current assets	82,700	83,338	88,143	88,143	88,143
<b>Non-current assets</b>	<b>903,823</b>	<b>1,018,734</b>	<b>1,142,845</b>	<b>1,318,710</b>	<b>1,442,807</b>
LT investments	393,134	406,269	447,044	456,204	457,587
Net fixed assets	393,967	468,838	543,393	710,099	823,813
Other assets	116,722	143,628	152,407	152,407	152,407
<b>Total liabilities</b>	<b>2,253,545</b>	<b>2,542,911</b>	<b>3,133,909</b>	<b>3,641,871</b>	<b>3,999,636</b>
<b>Current liabilities</b>	<b>1,909,335</b>	<b>2,174,818</b>	<b>2,710,849</b>	<b>3,281,252</b>	<b>3,616,371</b>
Accounts payable	893,119	1,133,052	1,331,933	1,852,115	2,224,535
Interest bearing ST liabilities	648,993	642,783	940,441	961,278	900,464
Other current liabilities	367,222	398,982	438,475	467,859	491,372
<b>Non-current liabilities</b>	<b>344,211</b>	<b>368,094</b>	<b>423,060</b>	<b>360,618</b>	<b>383,265</b>
Long-term debt	271,625	287,793	306,086	243,644	266,290
Other LT liabilities	55,874	56,380	86,234	86,234	86,234
<b>Total equity</b>	<b>1,686,244</b>	<b>1,851,588</b>	<b>1,970,763</b>	<b>2,113,928</b>	<b>2,283,692</b>
Share capital	138,630	138,907	139,642	139,642	139,642
Retained earnings reserve	987,704	1,024,330	1,187,661	1,301,826	1,436,590
Minority interests	193,135	206,386	197,992	226,992	261,992
Preferred shareholders funds	-	-	-	-	-

**Key ratios**

	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
<b>Growth</b>					
Revenue growth	(7.0%)	11.3%	18.1%	38.6%	19.9%
Operating profit growth	(4.2%)	20.5%	29.2%	39.2%	21.2%
EBITDA growth	0.3%	15.0%	23.7%	19.2%	22.2%
Net profit growth	0.4%	7.5%	24.0%	29.1%	18.0%
EPS growth	0.4%	7.4%	23.7%	28.6%	18.0%
<b>Profitability</b>					
Gross profit margin	6.3%	6.3%	6.1%	5.8%	5.7%
Operating margin	2.7%	2.9%	3.2%	3.2%	3.2%
EBITDA margin	4.1%	4.2%	4.4%	3.8%	3.9%
Net profit margin	2.3%	2.2%	2.3%	2.2%	2.1%
Return on average assets	3.5%	3.7%	4.0%	4.5%	4.8%
Return on average equity	9.7%	9.7%	11.1%	13.4%	14.8%
<b>Stability</b>					
Gross debt to equity	54.6%	50.3%	63.3%	57.0%	51.1%
Net debt to equity	Net cash	Net cash	11.7%	28.2%	34.5%
Interest coverage (x)	3.9	6.8	8.7	9.0	10.8
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	(1.4)	2.4
Cash flow/int. & ST debt (x)	0.6	0.2	0.2	(0.1)	0.1
Current ratio (x)	1.6	1.6	1.5	1.4	1.3
Quick ratio (x)	1.2	1.2	1.1	0.9	0.8
Net debt (NT\$m)	(277,044)	(6,533)	230,087	596,849	787,287
<b>Per share data</b>					
EPS (NT\$)	10.25	11.01	13.61	17.51	20.67
CFPS (NT\$)	32.14	11.97	16.31	(4.68)	7.57
BVPS (NT\$)	107.70	118.44	126.95	135.13	144.78
Adj BVPS (NT\$)	107.72	118.58	127.42	135.13	144.78
SPS (NT\$)	444.56	494.43	582.42	804.15	964.14
EBITDA/share (NT\$)	18.10	20.79	25.66	30.47	37.24
Cash DPS (NT\$)	5.40	5.80	7.20	9.33	11.02
<b>Activity</b>					
Sales / avg assets	1.53	1.65	1.71	2.07	2.24
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\$m	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
<b>Revenue</b>	<b>6,162,221</b>	<b>6,859,615</b>	<b>8,103,105</b>	<b>11,229,336</b>	<b>13,463,494</b>
Cost of goods sold	(5,774,274)	(6,430,670)	(7,604,944)	(10,575,031)	(12,701,437)
<b>Gross profit</b>	<b>387,947</b>	<b>428,946</b>	<b>498,161</b>	<b>654,305</b>	<b>762,057</b>
Operating expenses	(221,419)	(228,339)	(238,938)	(293,432)	(324,676)
<b>Operating profit</b>	<b>166,528</b>	<b>200,607</b>	<b>259,223</b>	<b>360,873</b>	<b>437,381</b>
<b>Non-operating income</b>	<b>114,525</b>	<b>69,767</b>	<b>78,744</b>	<b>55,334</b>	<b>43,705</b>
Interest income	81,700	45,577	31,010	31,334	24,705
Investment income	5,222	6,506	17,676	13,000	8,000
Other non-op income	27,603	17,684	30,059	11,000	11,000
<b>Non-operating expenses</b>	<b>(88,829)</b>	<b>(58,499)</b>	<b>(44,523)</b>	<b>(51,565)</b>	<b>(49,629)</b>
Interest expense	(65,543)	(36,795)	(38,096)	(45,565)	(44,129)
Investment loss	(18,952)	(12,183)	-	(2,000)	(2,000)
Other non-op expenses	(4,334)	(9,521)	(6,426)	(4,000)	(3,500)
<b>Pre-tax profit</b>	<b>192,224</b>	<b>211,875</b>	<b>293,445</b>	<b>364,642</b>	<b>431,457</b>
Current taxation	(37,435)	(40,196)	(78,410)	(91,160)	(107,864)
Minorities	(12,691)	(18,974)	(25,681)	(29,000)	(35,000)
Extraordinary items	-	0	(0)	-	-
<b>Net profit</b>	<b>142,098</b>	<b>152,705</b>	<b>189,354</b>	<b>244,481</b>	<b>288,593</b>
<b>EBITDA</b>	<b>250,934</b>	<b>288,489</b>	<b>356,976</b>	<b>425,464</b>	<b>520,073</b>
EPS (NT\$)	10.25	11.01	13.61	17.51	20.67

**Cash flow**

NT\$m	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
<b>Operations cash flow</b>	<b>445,553</b>	<b>166,029</b>	<b>226,852</b>	<b>(65,374)</b>	<b>105,667</b>
Net profit	142,098	152,705	189,354	244,481	288,593
Depreciation & amortisation	84,406	87,882	97,753	64,592	82,692
Decrease in working capital	247,995	(105,479)	(105,743)	(363,447)	(259,618)
Other operating cash flow	(28,946)	30,921	45,489	(11,000)	(6,000)
<b>Investing cash flow</b>	<b>(137,874)</b>	<b>(300,046)</b>	<b>(304,689)</b>	<b>(229,457)</b>	<b>(200,788)</b>
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	(5,406)	(5,406)
<b>Free cash flow</b>	<b>349,020</b>	<b>5,021</b>	<b>4,648</b>	<b>(259,499)</b>	<b>(54,296)</b>
<b>Financing cash flow</b>	<b>(160,638)</b>	<b>(164,072)</b>	<b>169,947</b>	<b>(113,537)</b>	<b>(133,484)</b>
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)	(130,316)
Other financing cashflow	(37,845)	(46,675)	(24,238)	29,000	35,000
<b>Forex effects</b>	<b>(11,704)</b>	<b>37,534</b>	<b>(12,778)</b>		
<b>Total cash generated</b>	<b>135,336</b>	<b>(260,555)</b>	<b>79,332</b>	<b>(408,368)</b>	<b>(228,605)</b>

**ROIC**

	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
1 - COGS/revenue					
- Operating exp./revenue	3.6%	3.3%	2.9%	2.6%	2.4%
<b>= Operating margin</b>	<b>2.7%</b>	<b>2.9%</b>	<b>3.2%</b>	<b>3.2%</b>	<b>3.2%</b>
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
<b>= Capital turnover</b>	<b>7.4</b>	<b>6.7</b>	<b>7.0</b>	<b>6.8</b>	<b>6.7</b>
Operating margin	2.7%	2.9%	3.2%	3.2%	3.2%
x Capital turnover	7.4	6.7	7.0	6.8	6.7
x (1 - tax rate)	80.5%	81.0%	73.3%	75.0%	75.0%
<b>= After-tax ROIC</b>	<b>16.1%</b>	<b>16.0%</b>	<b>16.4%</b>	<b>16.3%</b>	<b>16.2%</b>

Source: Company data, KGI Research estimates

**Hon Hai – Recommendation & target price history**



Date	Rating	Target	Price
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
2025-03-15	Outperform	250.0	170.0
2025-02-12	Outperform	265.0	177.0

Source: TEJ, KGI Research

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