COMPANY UPDATE

PC components · Taiwan

Hon Hai (2317.TW/2317 TT)

Earnings upside from Stargate modular data center build-up

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of October 7 (NT$)	228.5
12M target price (NT$)	335.0
Previous target price (NT$)	245.0
Revised up (%)	36.7
Upside (%)	46.6

Key message

1. September and 3Q25 sales slightly beat guidance and our forecasts.
2. We expect 4Q25F sales will grow QoQ and YoY with AI server (GB) and consumer electronics (iPhone 17) as key drivers.
3. We expect AI server rack sales to double next year on stable market share of over 40%; modular data center business expansion under alliance with Teco (1504 TT) will boost Hon Hai's competitiveness and 2026F EPS.

Trading data

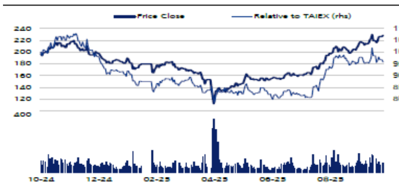
Mkt cap (NT$bn/US$mn)	3,191 /
Outstanding shares (mn)	13,964
Foreign ownership (mn)	5,479
3M avg. daily trading (mn)	44.29
52-week trading range (NT$)	112.5 –230.0

Performance	3M	6M	12M
Absolute (%)	41.9	65	15.7
Relative (%)	20.6	23.5	-4.2

Quarterly EPS

NT$	1Q	2Q	3Q	4Q
2023	0.93A	2.38A	3.11A	3.83A
2024	1.59A	2.53A	3.55A	3.34A
2025	3.03A	3.19A	3.15F	4.01F

Share price chart



Source: TEJ

Event

September and 3Q25 sales slightly beat guidance. Hon Hai Precision is positive on its AI server market position in 2H25-2027F, based on new CSP client wins and Stargate project gains in server rack and modular data center (MDC) service.

Impact

3Q25 sales beat guidance. September sales were NT$837.1bn, up 38% MoM and 14% YoY, and 3Q25 sales were NT$2.057tn, up nearly 15% QoQ and 11% YoY. 3Q25 sales were slightly better than guidance of 4-14% QoQ growth and our forecast, with GB200 AI server and iPhone 17 model launch the key catalysts. Cloud and networking sales grew the most on a YoY basis, and consumer electronics on a QoQ basis, followed by cloud. Based on cloud server sales MoM growth of 4-14% in September, we think 3Q25F GB AI server shipments growth was slightly below the firm's target of over 300% QoQ. However, yield rate and efficiency improvements will continue and 4Q25F sales will be the annual peak. Weexpect 2025F sales will grow around 15% to NT$7.88tn, with cloud and networking sales contribution up to 39%, higher than consumer electronics sales.

Migration from L11 assembler to L11-plus integrator. Hon Hai's cloud business outlook is strong, and we expect the cloud sales weighting to rise from 39% in 2025F to around 55%in 2026F, and higher in 2027F, on two new clients and project wins in AI server. As it will add Meta (US) as a new client for GB300, and potentially Google (US) for Vera Rubin AI server in 2H26F, alongside current main AI server clients Oracle (US) and Microsoft (US), Hon Hai targets its AI server market share to stay above 40% in 2026F. With global GB/ VR AI server shipments likely double to 50-60k racks next year, we estimate Hon Hai's AI server sales will more than double, based on shipments of around 23k racks in 2026F. In the Vera Rubin generation, Nvidia (US) has requested L10 supply only from Hon Hai, Quanta (2382 TT, NT$308.5, OP) and Wistron (3231 TT, NT$156, OP); thus Hon Hai will keep a dominant position. It will also be the key beneficiary of the US Stargate project (partnership with Softbank (JP), Oracle), and Apple's (US) AI data center for Apple Intelligence demand in the coming five years, especially after its share swap with Teco (1504 TT, NT$113, OP) to leverage its resources and experience in electrical equipment and engineering. Based on the commitment between OpenAI (US) and Softbank, they will deliver 1.5GW data center construction in modular process in the next 18 months in Ohio and Texas, and Hon Hai will supply server rack and other components as well as integration work with key leverage from Teco. The MDC business model will boost Hon Hai's migration from L11 rack assembler to L11-plus integrator. We forecast this 1.5GW MDC project to generate EPS contribution of NT$1-1.2 (0.75-1GW under the 50%-owned JV) in 2026F. We raise 2026F EPS to NT$18.6, up 39% from 2025F EPS of NT$13.38.

Valuation & Action

We raise our target price from NT$245 (16x 2026F EPS) to NT$335 (18x) on growing competitiveness in the AI server market. Maintain Outperform.

Risks

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

Key financials and valuations

	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Revenue (NT$mn)	6,626,997	6,162,221	6,859,615	7,881,864	11,115,718
Gross profit (NT$mn)	400,085	387,947	428,946	467,061	626,893
Operating profit (NT$mn)	173,788	166,528	200,607	230,633	339,716
Net profit (NT$mn)	141,483	142,098	152,705	185,880	258,357
EPS (NT$)	10.21	10.25	11.01	13.38	18.60
Cash DPS (NT$)	5.30	5.40	5.80	7.06	9.81
EPS growth (%)	1.6	0.4	7.4	21.6	39.0
PE (x)	22.4	22.3	20.8	17.1	12.3
PB (x)	2.2	2.1	1.9	1.8	1.7
EV/EBITDA (x)	10.1	9.8	9.6	8.5	7.0
Net debt to equity (%)	Net cash	Net cash	Net cash	2.8	13.2
Dividend yield (%)	2.3	2.4	2.5	3.1	4.3
Return on average equity (%)	10.0	9.7	9.7	11.0	14.4

Source: Company data, KGI Research estimates

Hon Hai targets AI server rack market share to stay above 40% in 2025-26F, with several new CSP clients & projects as key contributors

Based on 3Q25 sales of NT$2.057tn (up nearly 15% QOQ and 11% YoY), and cloud sales growth of over 15% QoQ, we estimate GB200 AI server rack shipments were around 4,000 units in 3Q25, below its target growth of 300% QoQ. However, the yield rate and efficiency continue improving, and we thus expect 4Q25F server rack shipments to keep growing QoQ. Hon Hai maintains its 40% AI server market share target in 2025F. We estimate this will translate as GB200 AI server shipments growth to around 11k racks, based on around 27k GB200/ 300 racks globally in 2025F. For 2026F, gaining new clients will boost market share to stay above 40%. Thus, GB shipments should trend up to around 23k racks next year, more than double YoY. Main clients are currently Oracle and Microsoft for GB AI server, while Meta will be a new client for GB300 and Google for VR AI server in 2H26F. Coupled with clients' strong AI server demand growth, especially Oracle, we expect Hon Hai's GB/ VR AI server shipments growth to trigger 2026F cloud sales expansion by NT$1.5-2tn. And along with sales from HGX and ASIC designs, general server shipments growth of low single digits YoY, steady networking sales growth of around 10% YoY, and additional MDC sales (mainly manufactured under the Softbank JV), we estimate total cloud sales will rise over 100% to NT$6tn-plus next year, for sales contribution of around 55%.

Increased Oracle AI server demand in coming years from Stargate project alliance

We have learnt that Oracle expects to order 7-8k GB200 AI server racks in 2025F, mainly supplied by Hon Hai. Based on OpenAI's, Softbank's and Oracle's announcements regarding the Stargate project, Stargate data centers plan for a 10GW scale, with total investment of US$500bn during 2025-29F (five years). In July, Oracle and OpenAI entered an agreement to develop 4.5GW of additional Stargate data center capacity in the US for an investment of over US$300bn in coming years. We think this Stargate project (4.5GW) will create demand for 4-5k racks of GB/ VR per year for Oracle. Hon Hai will be the key beneficiary, although some other suppliers like Wistron, Wiwynn (6669 TT, NT$3,510, OP) and Quanta will also be suppliers after end-4Q25F. We believe Hon Hai may ship over 10k racks for Oracle in 2026F, being a key AI sales contributor. Besides the 4.5GW plan, the remaining 5.5GW for the Stargate project plans to adopt MDC to accelerate the data center infrastructure schedule, to be manufactured in an Ohio, Lordstown, factory that was sold to Softbank by Hon Hai in August, and in Texas. We expect Hon Hai to integrate resources from Teco's investment to jointly supply modular server rack with electrical equipment and engineering integration. This source of AI server rack demand and additional electromechanical works will be dominated by Hon Hai, and will contribute to earnings in 2026F or after.

Figure 1: Stargate project announcements by Softbank, OpenAI & Oracle

Date	Disclosure of the project details
2025/1/22	OpenAI and Softbank announced the Stargate project, which aims to invest US$500bn over the next four years to build new AI infrastructure for OpenAI in the US, with initial equity funders including Softbank, OpenAI, Oracle and MGX Fund (Emirates).
2025/4/1	Softbank announced it had entered into a definitive agreement with OpenAI to make follow-on investments of up to US$40bn, with a payment of US$10bn scheduled for April 2025 and up to US$30bn of investment to be delievered if OpenAI completes a recapitalization of its economic waterfall by the end of 2025.
2025/7/22	Oracle and OpenAI entered an agreement to develop 4.5GW of additional Stargate data center capacity in the US. This additional partnership with Oracle will bring out over 5GW of Stargate AI data cneter capacity under development, including the Abilene site.
2025/9/22	OpenAI and Nvidia announced a letter of intent for a partnership to deploy at least 10GW of Nvidia systems for OpenAI's AI infrastructure. To support this deployment, Nvidia intends to invest up to US$100bn in OpenAI as the new Nvidia systems are deployed.
2025/9/23	OpenAI, Oracle, and Softbank announced five new AI data center sites, including three developed by Oracle (located in Shackelford County, Texas; Doña Ana County, New Mexico; and a site in the Midwest) and two by Softbank's and OpenAI's partnership, which can scale to 1.5 GW over the next 18 months. The combined capacity from these five new sites brings Stargate to nearly 7GW of planned capacity and over US$400bn in investment over the next three years.

Source: Company data; KGI Research

MDC manufacturing offered by JV with Softbank (Ohio factory) to boost Hon Hai's business expansion from L11 to L11-plus, with stronger integration capability

The 5.5GW segment of the Stargate project, that is led by Softbank, will be under a MDC business model, and will be under a JV between Softbank and Hon Hai that is likely to be a 50:50 stake holding. We think this will boost Hon Hai's competitiveness in its migration from L11 rack assembly to L11-plus, with some integration of infrastructure and data center facilities. As yet, no concrete MDC business model has been announced, but we expect it would generate additional sales and earnings for Hon Hai after 2026F. We have learnt that server rack will account for around 40% of data center construction costs, while power and cooling will comprise around 20%, and mechanical and electrical equipment and engineering will make up 20-30%. Based on the commitment between OpenAI and Softbank, they will deliver 1.5GW of data center construction in modular process in the next 18 months in Ohio and Texas, and Hon Hai will supply server racks and other components and integration work with key leveraging with Teco. If we incorporate 50-67% of this 1.5GW of MDC sales into Hon Hai's 2026F consolidated sales, additional sales of NT$900bn to NT$1.2tn are possible, while EPS contribution could potentially reach NT$1.0-1.2 (under the 50%-owned JV) in 2026F, based on better-than-average gross and operating margin assumptions of 7% and 4%, respectively. With this L11-plus sales contribution, we revise up 2026F EPS to NT$18.6.

Figure 2: AI server shipments to double in 2026F

AI server shipments (racks)			
Market	**2025F**	**2026F**	**2027F**
GB200/300	27,000	55,000	
VR200		3,000	80,000
Total	27,000	58,000	80,000
Hon Hai shipments (racks)	**2025F**	**2026F**	**2027F**
GB200/300	11,000	23,000	
VR200		1,300	35,200
Total	11,000	24,300	35,200
Hon Hai market share (%)	**2025F**	**2026F**	**2027F**
GB200/300	41	42	
VR200		43	44
Total	41	42	44
AI rack ASP (US$mn)	3.1	3.8	4.0
AI rack ASP (NT$mn)	93.0	114.0	120.0
Hon Hai's server sales (NT$bn	**2025F**	**2026F**	**2027F**
GB/VR	1,023	2,770	4,224
HGX and others	1,761	2,196	2,855
Total	2,784	4,966	7,079
Hon Hai's server sales mix (%)			
GB200/300	37	56	60
HGX and others	63	44	40
Total	100	100	100

Source: Company data; KGI Research estimates

Figure 3: MDC to further boost earnings after 2026F

Stargate Project- Modular data center (MDC)	
Project size:	5.5GW
Location:	Ohio (Lordstown), Texas
Operator:	A JV firm with Softbank (50%) and Hon Hai (50%)
Schedule:	1. 5.5GW DC will be completed in 5 years; 2. 1.5GW will be completed by the next 18 months
Assumptions:	* 1GW DC to cost US$40bn; * Server rack accounts for aorund 40% of total DC construction cost; * Power & cooling combined around 20% of total cost; * Mechanical and electrical equipment & engineering around 20-30% of total cost.

	2026F	2027F	2028F	2029F
Data center	1.5GW (18M)	4GW from 2027-29F		
Completed GW	0.75	1.50	1.63	1.63
Construction spending (US$mn)	30,000	60,000	65,000	65,000
Hon Hai's sales (NT$bn)	900	1,800	1,950	1,950
GM (%)	7	7	7	7
OPM (%)	4	4	4	4
OP (NT$bn)	36	72	78	78
Net profit (NT$bn)	29	58	62	62
Net profit under 50%-holding JV (NTt	14	29	31	31
EPS contribution (NT$)	1.03	2.06	2.23	2.23

Source: Company data; KGI Research estimates

Figure 4: Breakdown of 3Q25 & 4Q25 forecast revisions vs. consensus

	3Q25F							4Q25F						
NT$mn	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	2,057,444	2,026,619	1.5	14.7	10.9	2,139,459	(3.8)	2,386,636	2,330,612	2.4	16.0	12.0	2,445,376	(2.4)
Gross profits	119,332	117,544	1.5	5.1	4.0	127,383	(6.3)	133,652	130,514	2.4	12.0	2.0	141,465	(5.5)
Operating income	57,608	56,745	1.5	1.8	5.2	63,832	(9.7)	69,928	68,287	2.4	21.4	8.4	71,899	(2.7)
Pretax Income	59,065	58,230	1.4	(9.3)	(12.7)	70,070	(15.7)	70,925	69,366	2.2	20.1	12.0	77,011	(7.9)
Net income	43,734	43,048	1.6	(1.4)	(11.3)	51,409	(14.9)	55,678	54,435	2.3	27.3	20.2	56,873	(2.1)
EPS (NT$)	3.15	3.10	1.6	(1.4)	(11.3)	3.70	(14.9)	4.01	3.92	2.3	27.3	20.0	4.09	(2.1)
Gross margin (%)	5.8	5.8	0.0 ppts	(0.5)ppts	(0.4)ppts	6.0	(0.2)ppts	5.6	5.6	(0.0)ppts	(0.2)ppts	(0.6)ppts	5.8	(0.2)ppts
OP margin (%)	2.8	2.8	0.0 ppts	(0.4)ppts	(0.2)ppts	3.0	(0.2)ppts	2.9	2.9	(0.0)ppts	0.1 ppts	(0.1)ppts	2.9	(0.0)ppts
Net margin (%)	2.1	2.1	0.0 ppts	(0.3)ppts	(0.5)ppts	2.4	(0.3)ppts	2.3	2.3	(0.0)ppts	0.2 ppts	0.2 ppts	2.3	0.0 ppts

Source: Company data; Bloomberg; KGI Research

Figure 5: Breakdown of 2025-26 forecast revisions vs. consensus

	2025F						2026F					
NT$mn	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	7,881,864	7,795,014	1.1	14.9	8,012,893	(1.6)	11,115,718	10,273,570	8.2	41.0	9,506,365	16.9
Gross profit	467,061	462,136	1.1	8.9	483,658	(3.4)	626,893	573,107	9.4	34.2	562,492	11.4
Operating income	230,633	228,128	1.1	15.0	237,943	(3.1)	339,716	303,356	12.0	47.3	287,013	18.4
Pretax Income	254,260	251,865	1.0	20.0	270,603	(6.0)	345,502	310,222	11.4	35.9	309,127	11.8
Net income	185,880	183,952	1.0	21.7	193,175	(3.8)	258,357	229,780	12.4	39.0	225,777	14.4
EPS (NT$)	13.38	13.24	1.0	21.6	13.91	(3.8)	18.60	16.54	12.4	39.0	16.25	14.4
Gross margin (%)	5.9	5.9	(0.0)ppts	(0.3)ppts	6.0	(0.1)ppts	5.6	5.6	0.1 ppts	(0.3)ppts	5.9	(0.3)ppts
OP margin (%)	2.9	2.9	(0.0)ppts	0.0 ppts	3.0	(0.0)ppts	3.1	3.0	0.1 ppts	0.1 ppts	3.0	0.0 ppts
Net margin (%)	2.4	2.4	(0.0)ppts	0.1 ppts	2.4	(0.1)ppts	2.3	2.2	0.1 ppts	(0.0)ppts	2.4	(0.1)ppts

Source: Company data; Bloomberg; KGI Research estimates

Figure 6: Sales mix

Sales (NT$bn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	2020	2021	2022	2023	2024	2025F	2026F
Smart consumer electronics	819	639	833	1,075	634	621	829	1,084	658	632	762	2,593	3,280	3,496	3,366	3,169	2,984	3,044
Cloud & networking	323	326	339	369	373	502	585	563	560	729	859	1,316	1,267	1,557	1,358	2,024	3,067	6,166
Computing	249	261	278	292	238	333	315	341	316	317	274	1,136	1,114	1,208	1,079	1,228	1,121	1,121
Components & others	72	78	93	116	79	94	125	142	111	116	162	313	334	365	359	439	710	785
Total	1,462	1,305	1,543	1,852	1,324	1,551	1,855	2,131	1,644	1,793	2,057	5,358	5,994	6,627	6,162	6,860	7,882	11,116
Weighting (%)	**1Q23**	**2Q23**	**3Q23**	**4Q23**	**1Q24**	**2Q24**	**3Q24**	**4Q24**	**1Q25**	**2Q25**	**3Q25**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025F**	**2026F**
Smart consumer electronics	56	49	54	58	48	40	45	51	40	35	37	48	55	53	54	46	38	27
Cloud & networking	22	25	22	20	28	32	32	26	34	41	42	25	21	24	22	30	39	55
Computing	17	20	18	16	18	22	17	16	19	18	13	21	19	18	18	18	14	10
Components & others	5	6	6	6	6	6	7	7	7	6	8	6	6	6	6	6	9	7
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
YoY (%)	**1Q23**	**2Q23**	**3Q23**	**4Q23**	**1Q24**	**2Q24**	**3Q24**	**4Q24**	**1Q25**	**2Q25**	**3Q25**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025F**	**2026F**
Smart consumer electronics	12	(16)	(8)	(2)	(23)	(3)	(0)	1	4	2	(8)	(2)	27	7	(4)	(6)	(6)	2
Cloud & networking	(0)	(14)	(19)	(16)	15	54	72	52	50	45	47	5	(4)	23	(13)	49	52	101
Computing	(7)	(10)	(16)	(8)	(4)	28	14	17	33	(5)	(13)	2	(2)	8	(11)	14	(9)	0
Components & others	(15)	(7)	6	7	10	19	35	22	41	24	30	(3)	7	9	(2)	22	62	11
Total	4	(14)	(12)	(6)	(9)	19	20	15	24	16	11	0	12	11	(7)	11	15	41
QoQ (%)	**1Q23**	**2Q23**	**3Q23**	**4Q23**	**1Q24**	**2Q24**	**3Q24**	**4Q24**	**1Q25**	**2Q25**	**3Q25**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025F**	**2026F**
Smart consumer electronics	(25)	(22)	30	29	(41)	(2)	33	31	(39)	(4)	21							
Cloud & networking	(26)	1	4	9	1	35	17	(4)	(1)	30	18							
Computing	(22)	5	6	5	(18)	40	(5)	8	(7)	0	(13)							
Components & others	(34)	9	18	25	(32)	19	33	14	(22)	4	40							
Total	(26)	(11)	18	20	(29)	17	20	15	(23)	9	15							

Source: Company data; KGI Research estimates

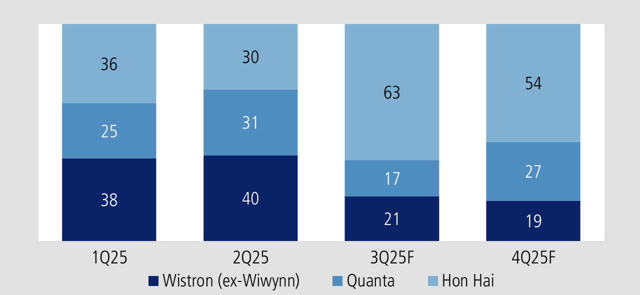
Figure 7: Hon Hai's guidance for AI server segment

1Q25	* The majority of server sales came from general servers and Hopper AI servers
2Q25	* AI servers made up around half of all server sales * GB200 racks comprised 40-50% of AI server sales
3Q25F	* AI server sales to grow by more than 170% YoY, or as much as 100% QoQ * GB-series AI server rack shipments to grow by more than 300% QoQ
2025F	* AI server sales to exceed NT$1tn

Source: Company data;; KGI Research

Figure 8: Wistron has shipped most GB200 racks among Taiwan ODMs; Hon Hai to be dominant in 2H25F

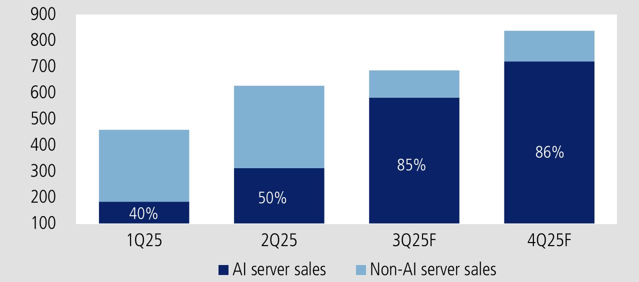
GB200/ 300 shipments weighting, percent



Source: Company data; KGI Research estimates

Figure 9: Hon Hai's AI server sales to rise in 3Q25F QoQ as manufacturing bottlenecks have been resolved

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



Source: Company data; KGI Research estimates

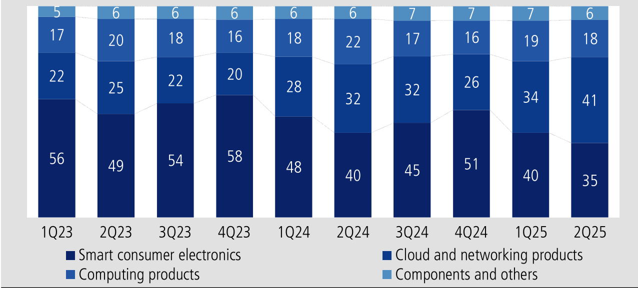
Figure 10: Company profile

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 11: Sales by segment

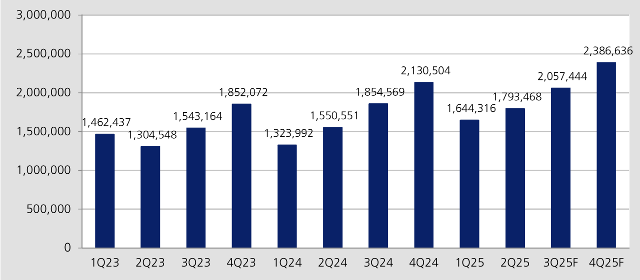
Sales weighting, percent



Source: Company data; KGI Research

Figure 12: Sales

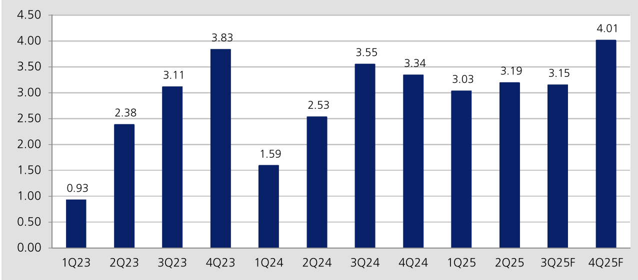
Sales, NT$mn



Source: KGI Research

Figure 13: EPS

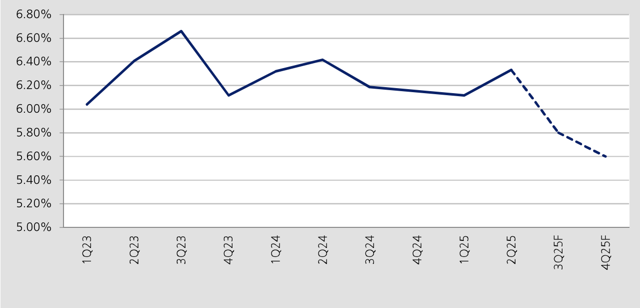
EPS, NT$



Source: KGI Research

Figure 14: Gross Margin

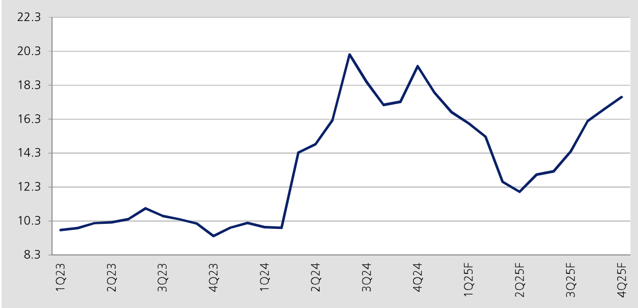
Gross margin, percent



Source: KGI Research

Figure 15: Rolling PE

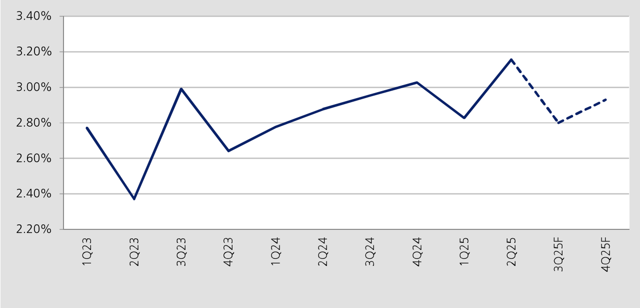
Rolling PE, times



Source: KGI Research

Figure 16: Operating Margin

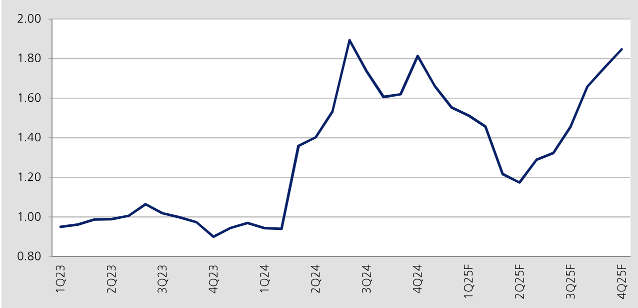
Operating margin, percent



Source: KGI Research

Figure 17: Rolling PB

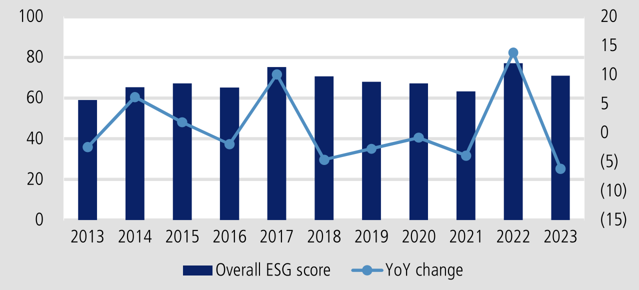
Rolling PB, times



Source: KGI Research

Figure 18: Overall ESG score

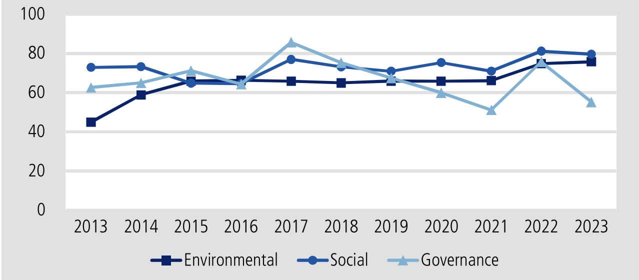
ESG score, points (LHS); YoY change, points (RHS)



Source: Refinitiv; Company data

Figure19: ESG score

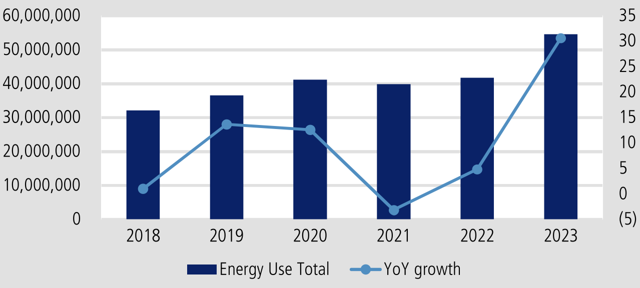
ESG score, points



Source: Refinitiv; Company data

Figure 20: Energy use

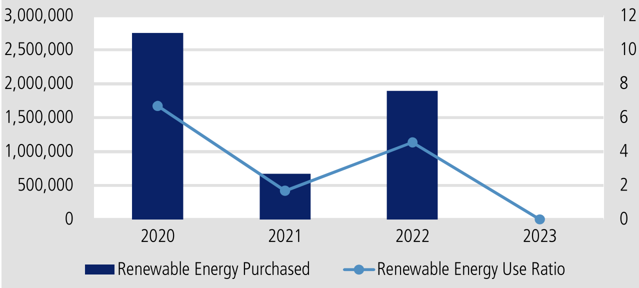
Energy use, gigajoules (LHS); YoY growth, percent (RHS)



Source: Refinitiv; Company data

Figure 21: Renewable energy

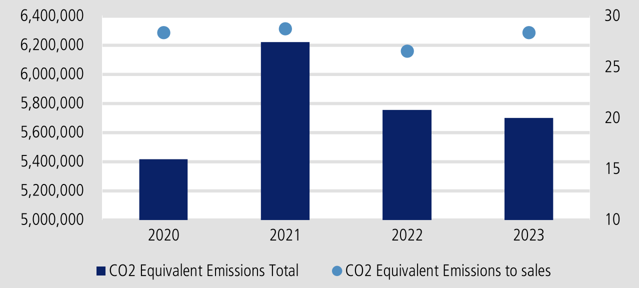
Energy use, gigajoules (LHS); use ratio, percent (RHS)



Source: Refinitiv; Company data

Figure 22: CO2 equivalent emissions

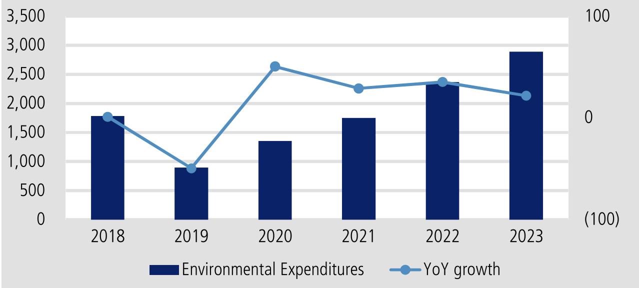
CO2 equivalent emissions, mt (LHS); emissions to revenue, mt/ US$mn



Source: Refinitiv; Company data

Figure 23: Environmental expenditures

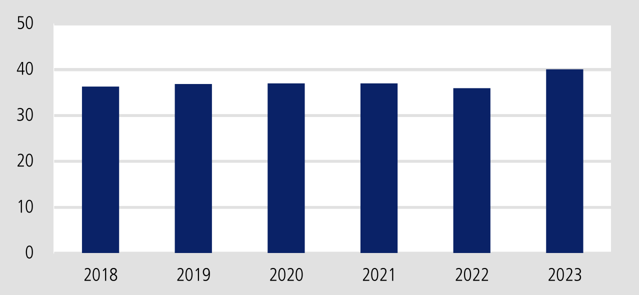
Environmental expenditures, NT$mn (LHS); YoY growth rate, percent (RHS)



Source: Refinitiv; Company data

Figure 24: Gender diversification

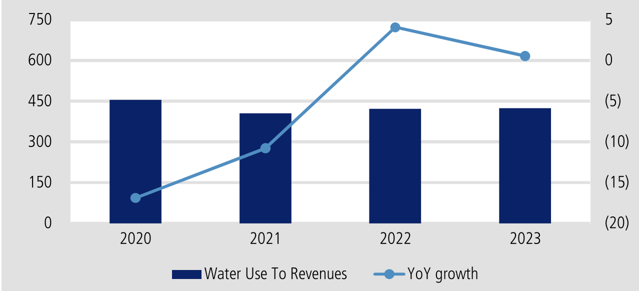
Female employees, percent



Source: Refinitiv; Company data

Figure 25: 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-24A	**Jun-24A**	**Sep-24A**	**Dec-24A**	**Mar-25A**	**Jun-25A**	**Sep-25F**	**Dec-25F**	**Dec-24A**	**Dec-25F**	**Dec-26F**
Income statement (NT$mn)											
Revenue	**1,323,992**	**1,550,551**	**1,854,569**	**2,130,504**	**1,644,316**	**1,793,468**	**2,057,444**	**2,386,636**	**6,859,615**	**7,881,864**	**11,115,718**
Cost of goods sold	(1,240,329)	(1,451,044)	(1,739,836)	(1,999,460)	(1,543,767)	(1,679,939)	(1,938,113)	(2,252,984)	(6,430,670)	(7,414,803)	(10,488,825)
Gross profit	**83,662**	**99,507**	**114,733**	**131,044**	**100,548**	**113,529**	**119,332**	**133,652**	**428,946**	**467,061**	**626,893**
Operating expenses	(46,912)	(54,902)	(59,962)	(66,563)	(54,048)	(56,933)	(61,723)	(63,723)	(228,339)	(236,428)	(287,176)
Operating profit	**36,751**	**44,604**	**54,771**	**64,481**	**46,500**	**56,596**	**57,608**	**69,928**	**200,607**	**230,633**	**339,716**
Depreciation of fixed assets	(19,473)	(18,745)	(20,752)	(25,320)	(22,620)	(22,562)	(26,453)	(34,178)	(84,290)	(105,814)	(112,047)
Amortisation of intangible assets	(792)	(743)	(870)	(1,186)	(902)	(922)	(945)	(1,012)	(3,591)	(3,780)	(5,316)
EBITDA	**57,016**	**64,092**	**76,393**	**90,988**	**70,021**	**80,081**	**85,007**	**105,118**	**288,489**	**340,227**	**457,080**
Interest income	15,437	11,799	8,750	9,591	8,131	7,652	7,937	8,028	45,577	31,747	28,401
Investment income	310	1,371	4,171	653	6,498	1,983	1,800	1,219	6,506	11,500	5,600
Other non-op income	1,297	2,974	8,730	4,683	5,525	7,644	2,500	2,832	17,684	18,500	11,000
Non-operating income	**17,044**	**16,144**	**21,652**	**14,927**	**20,153**	**17,278**	**12,237**	**12,079**	**69,767**	**61,747**	**45,001**
Interest expense	(10,636)	(9,263)	(8,770)	(8,126)	(7,533)	(8,725)	(8,280)	(8,582)	(36,795)	(33,120)	(33,716)
Investment loss	(10,649)	-	-	(1,533)	-	-	(1,000)	(1,000)	(12,183)	(2,000)	(2,000)
Other non-op expenses	-	(3,085)	-	(6,435)	-	-	(1,500)	(1,500)	(9,521)	(3,000)	(3,500)
Non-operating expenses	**(21,286)**	**(12,348)**	**(8,770)**	**(16,094)**	**(7,533)**	**(8,725)**	**(10,780)**	**(11,082)**	**(58,499)**	**(38,120)**	**(39,216)**
Pre-tax profit	**32,509**	**48,400**	**67,653**	**63,313**	**59,120**	**65,149**	**59,065**	**70,925**	**211,875**	**254,260**	**345,502**
Current taxation	(7,636)	(9,455)	(12,308)	(10,797)	(13,287)	(15,613)	(10,632)	(10,050)	(40,196)	(49,581)	(65,645)
Minorities	(2,864)	(3,900)	(6,020)	(6,191)	(3,726)	(5,176)	(4,700)	(5,198)	(18,974)	(18,800)	(21,500)
Normalised net profit	**22,009**	**35,045**	**49,325**	**46,326**	**42,108**	**44,361**	**43,734**	**55,678**	**152,705**	**185,880**	**258,357**
Extraordinary items	0	0	0	0	(0)	(0)	-	0	-	-	-
Net profit	**22,009**	**35,045**	**49,325**	**46,326**	**42,108**	**44,361**	**43,734**	**55,678**	**152,705**	**185,880**	**258,357**
EPS (NT$)	1.59	2.53	3.55	3.34	3.03	3.19	3.15	4.01	11.01	13.38	18.60
Margins (%)											
Gross profit margin	6.3	6.4	6.2	6.2	6.1	6.3	5.8	5.6	6.3	5.9	5.6
Operating margin	2.8	2.9	3.0	3.0	2.8	3.2	2.8	2.9	2.9	2.9	3.1
EBITDA margin	4.3	4.1	4.1	4.3	4.3	4.5	4.1	4.4	4.2	4.3	4.1
Pretax profit margin	2.5	3.1	3.6	3.0	3.6	3.6	2.9	3.0	3.1	3.2	3.1
Net profit margin	1.7	2.3	2.7	2.2	2.6	2.5	2.1	2.3	2.2	2.4	2.3
Sequential growth (%)											
Revenue growth	(28.5)	17.1	19.6	14.9	(22.8)	9.1	14.7	16.0			
Gross profit growth	(26.1)	18.9	15.3	14.2	(23.3)	12.9	5.1	12.0			
Operating profit growth	(24.9)	21.4	22.8	17.7	(27.9)	21.7	1.8	21.4			
EBITDA growth	(18.8)	12.4	19.2	19.1	(23.0)	14.4	6.2	23.7			
Pretax profit growth	(51.4)	48.9	39.8	(6.4)	(6.6)	10.2	(9.3)	20.1			
Net profit growth	(58.6)	59.2	40.7	(6.1)	(9.1)	5.3	(1.4)	27.3			
YoY growth (%)											
Revenue growth	(9.5)	18.9	20.2	15.0	24.2	15.7	10.9	12.0	11.3	14.9	41.0
Gross profit growth	(5.3)	19.1	11.7	15.7	20.2	14.1	4.0	2.0	10.6	8.9	34.2
Operating profit growth	(9.3)	44.2	18.7	31.8	26.5	26.9	5.2	8.4	20.5	15.0	47.3
EBITDA growth	(5.1)	23.0	11.4	29.6	22.8	24.9	11.3	15.5	15.0	17.9	34.3
Pretax profit growth	59.3	1.5	18.2	(5.4)	81.9	34.6	(12.7)	12.0			
Net profit growth	71.6	6.2	14.4	(12.8)	91.3	26.6	(11.3)	20.2	7.5	21.7	39.0

Source: Company data, KGI Research estimates

Balance sheet

NT$mn	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Total assets	**4,133,974**	**3,939,789**	**4,394,500**	**4,665,026**	**5,350,399**
Current assets	**3,200,506**	**3,035,966**	**3,375,765**	**3,587,671**	**4,264,668**
Cash & ST securities	1,084,732	1,350,230	1,315,992	1,223,780	960,947
Inventory	939,022	730,765	835,016	965,443	1,365,695
Accounts receivable	1,098,690	872,270	1,141,418	1,315,110	1,854,688
Other current assets	78,062	82,700	83,338	83,338	83,338
Non-current assets	**933,469**	**903,823**	**1,018,734**	**1,077,355**	**1,085,731**
LT investments	435,825	393,134	406,269	405,703	406,126
Net fixed assets	362,405	393,967	468,838	528,024	535,977
Other assets	135,239	116,722	143,628	143,628	143,628
Total liabilities	**2,483,443**	**2,253,545**	**2,542,911**	**2,706,834**	**3,248,667**
Current liabilities	**2,113,814**	**1,909,335**	**2,174,818**	**2,361,911**	**2,895,540**
Accounts payable	1,068,941	893,119	1,133,052	1,310,031	1,853,143
Interest bearing ST liabilities	647,194	648,993	642,783	635,394	587,670
Other current liabilities	397,678	367,222	398,982	416,486	454,727
Non-current liabilities	**369,630**	**344,211**	**368,094**	**344,923**	**353,126**
Long-term debt	301,017	271,625	287,793	264,622	272,825
Other L-T liabilities	51,151	55,874	56,380	56,380	56,380
Total equity	**1,650,531**	**1,686,244**	**1,851,588**	**1,958,192**	**2,101,732**
Share capital	138,630	138,630	138,907	138,907	138,907
Retained earnings reserve	925,890	987,704	1,024,330	1,112,134	1,234,174
Minority interests	199,986	193,135	206,386	225,186	246,686
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Growth					
Revenue growth	10.6%	(7.0%)	11.3%	14.9%	41.0%
Operating profit growth	16.7%	(4.2%)	20.5%	15.0%	47.3%
EBITDA growth	11.5%	0.3%	15.0%	17.9%	34.3%
Net profit growth	1.6%	0.4%	7.5%	21.7%	39.0%
EPS growth	1.6%	0.4%	7.4%	21.6%	39.0%
Profitability					
Gross profit margin	6.0%	6.3%	6.3%	5.9%	5.6%
Operating margin	2.6%	2.7%	2.9%	2.9%	3.1%
EBITDA margin	3.8%	4.1%	4.2%	4.3%	4.1%
Net profit margin	2.1%	2.3%	2.2%	2.4%	2.3%
Return on average assets	3.5%	3.5%	3.7%	4.1%	5.2%
Return on average equity	10.0%	9.7%	9.7%	11.0%	14.4%
Stability					
Gross debt to equity	57.4%	54.6%	50.3%	46.0%	40.9%
Net debt to equity	Net cash	Net cash	Net cash	2.8%	13.2%
Interest coverage (x)	6.4	3.9	6.8	8.7	11.2
Interest & ST debt coverage (x)	0.2	0.2	0.2	0.2	0.3
Cash flow interest coverage(x)	3.2	6.8	4.5	4.8	(0.7)
Cash flow/int. & ST debt (x)	0.2	0.6	0.2	0.2	(0.0)
Current ratio (x)	1.5	1.6	1.6	1.5	1.5
Quick ratio (x)	1.1	1.2	1.2	1.1	1.0
Net debt (NT$mn)	(114,115)	(277,044)	(6,533)	55,120	278,433
Per share data					
EPS (NT$)	10.21	10.25	11.01	13.38	18.60
CFPS (NT$)	7.91	32.14	11.97	11.43	(1.77)
BVPS (NT$)	104.63	107.70	118.44	124.76	133.55
Adj BVPS (NT$)	104.65	107.72	118.58	124.76	133.55
SPS (NT$)	478.09	444.56	494.43	567.42	800.23
EBITDA/share (NT$)	18.05	18.10	20.79	24.49	32.91
Cash DPS (NT$)	5.30	5.40	5.80	7.06	9.81
Activity					
Sales / avg assets	1.65	1.53	1.65	1.74	2.22
Days receivable	60.5	51.7	60.9	60.9	60.9
Days inventory	55.0	46.2	47.5	47.5	47.5
Days payable	62.7	56.5	64.5	64.5	64.5
Cash cycle	52.9	41.4	43.9	43.9	43.9

Source: Company data, KGI Research estimates

Profit & loss

NT$mn	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Revenue	**6,626,997**	**6,162,221**	**6,859,615**	**7,881,864**	**11,115,718**
Cost of goods sold	(6,226,912)	(5,774,274)	(6,430,670)	(7,414,803)	(10,488,825)
Gross profit	**400,085**	**387,947**	**428,946**	**467,061**	**626,893**
Operating expenses	(226,297)	(221,419)	(228,339)	(236,428)	(287,176)
Operating profit	**173,788**	**166,528**	**200,607**	**230,633**	**339,716**
Non-operating income	**64,268**	**114,525**	**69,767**	**61,747**	**45,001**
Interest income	43,303	81,700	45,577	31,747	28,401
Investment income	11,063	5,222	6,506	11,500	5,600
Other non-op income	9,902	27,603	17,684	18,500	11,000
Non-operating expenses	**(50,544)**	**(88,829)**	**(58,499)**	**(38,120)**	**(39,216)**
Interest expense	(34,736)	(65,543)	(36,795)	(33,120)	(33,716)
Investment loss	-	(18,952)	(12,183)	(2,000)	(2,000)
Other non-op expenses	(15,808)	(4,334)	(9,521)	(3,000)	(3,500)
Pre-tax profit	**187,511**	**192,224**	**211,875**	**254,260**	**345,502**
Current taxation	(36,440)	(37,435)	(40,196)	(49,581)	(65,645)
Minorities	(9,589)	(12,691)	(18,974)	(18,800)	(21,500)
Extraordinary items	-	(0)	0	-	-
Net profit	**141,483**	**142,098**	**152,705**	**185,880**	**258,357**
EBITDA	**250,248**	**250,934**	**288,489**	**340,227**	**457,080**
EPS (NT$)	10.21	10.25	11.01	13.38	18.60

Cash flow

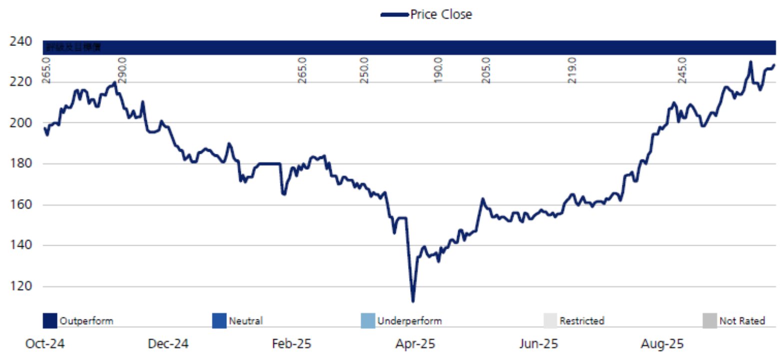
NT$mn	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Operations cash flow	**109,708**	**445,553**	**166,029**	**158,834**	**(24,598)**
Net profit	141,483	142,098	152,705	185,880	258,357
Depreciation & amortisation	76,460	84,406	87,882	109,594	117,364
Decrease in working capital	(197,434)	247,995	(105,479)	(127,140)	(396,718)
Other operating cash flow	89,199	(28,946)	30,921	(9,500)	(3,600)
Investing cash flow	**(45,440)**	**(137,874)**	**(300,046)**	**(158,714)**	**(122,140)**
Sale of ST investment	29,944	(132,622)	(215,737)	-	-
New investments	(45,351)	23,845	(3,713)	10,066	3,177
Capital expenditure	(97,935)	(111,745)	(136,339)	(165,000)	(120,000)
Others investing cashflow	67,902	82,647	55,743	(3,780)	(5,316)
Free cash flow	**(84,746)**	**349,020**	**5,021**	**(667)**	**(129,500)**
Financing cash flow	**(87,872)**	**(160,638)**	**(164,072)**	**(92,332)**	**(116,096)**
Increase in short term debt	23,682	(74,237)	(25,783)	(40,000)	(40,000)
Increase in long term loans	7,242	27,361	(8,480)	9,440	480
New ordinary shares issued	(7,763)	4,805	-		
Ordinary dividends paid	(79,026)	(80,722)	(83,134)	(80,572)	(98,076)
Other financing cashflow	(32,006)	(37,845)	(46,675)	18,800	21,500
Forex effects	**26,512**	**(11,704)**	**37,534**		
Total cash generated	**2,909**	**135,336**	**(260,555)**	**(92,212)**	**(262,833)**

ROIC

	Dec-22A				
1 - COGS/revenue					
- Operating exp./revenue	3.4%	3.6%	3.3%	3.0%	2.6%
= Operating margin	**2.6%**	**2.7%**	**2.9%**	**2.9%**	**3.1%**
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	0.0
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	**6.4**	**7.4**	**6.7**	**6.6**	**7.2**
Operating margin	2.6%	2.7%	2.9%	2.9%	3.1%
x Capital turnover	6.4	7.4	6.7	6.6	7.2
x (1 - tax rate)	80.6%	80.5%	81.0%	80.5%	81.0%
= After-tax ROIC	**13.5%**	**16.1%**	**16.0%**	**15.6%**	**17.7%**

Source: Company data, KGI Research estimates

Hon Hai – Recommendation & target price history



Date	Rating	Target	Price
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
2024-11-14	Outperform	290.0	211.5
2024-11-04	Outperform	265.0	214.0
2024-09-19	Outperform	265.0	176.5
2024-08-14	Outperform	265.0	185.5

Source: TEJ, KGI Research

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