Goldman Sachs Research

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Hon Hai (2317.TW): May rev +40% YoY; AI servers remains key growth driver; Buy (on CL)

Allen Chang
+852-2978-2930 | allen.k.chang@gs.com
Goldman Sachs (Asia) L.L.C.

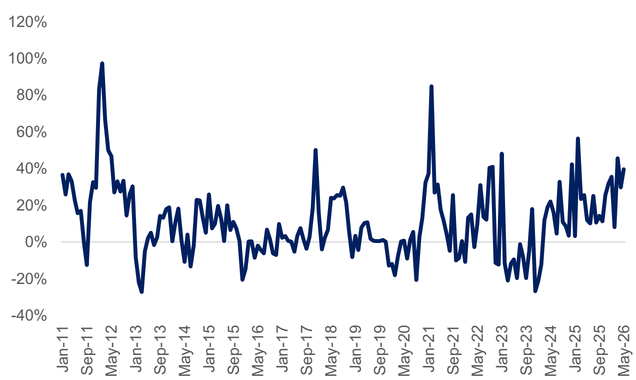
Verena Jeng
+852-2978-1681 | verena.jeng@gs.com
Goldman Sachs (Asia) L.L.C.

Ting Song
+852-2978-6466 | ting.song@gs.com
Goldman Sachs (Asia) L.L.C.

Hon Hai's May revenues were +40% YoY/+3% MoM to NT$859bn, or 5% higher than our previous estimates. From a MoM perspective, **Consumer electronics** increased MoM on strong pull-in momentum, followed by **Cloud & Networking** (flat MoM)**, then PC** segment (slightly decreased MoM post pull-in) and **Component & Others** (down MoM on high base in Apr). From a YoY perspective, **Component & Others** delivered YoY growth on shipment increase**, Cloud & Networking** sustained strong YoY growth, driven by the AI cloud products, **PC revenues** performed increased YoY on new products growth momentum; **Consumer electronics** saw significant growth YoY due to order pull-in momentum. Management expects the **2Q26 performance is tracking well above company's previously anticipated significant growth**, while the company continues to monitor the global political and economic situation. Although 2Q is a traditionally slow season of production transition, management expect revenues from AI racks to sustain growth.

We expect continued growth of the AI server business with market share gain opportunities, along with the upcoming smartphone form factor changes in 2026E to drive Hon Hai's growth ahead. **Maintain Buy (on CL).**

Exhibit 1: Hon Hai's May revenues +40% YoY, or +3% MoM



Source: Company data

3-month revenues preview: We expect 2Q26E revenues to be +31% YoY/+11% QoQ to NT$2.4 trillion. May continues MoM growth (+3%) off Apr's high base, reflecting the solid demand of AI server racks despite the slow seasonality of traditional electronics products in 2Q. We expect **Jun revenues** to grow 22% YoY (or -23% MoM) considering the high base, which is in line with the historical seasonality.

We expect continuous shipment growth of AI server racks to support 2Q/ 3Q26E growth ahead.

Exhibit 2: We model Hon Hai's June 2026 revenue to be +22% YoY or -23% MoM

Hon Hai's monthly/annual revenue

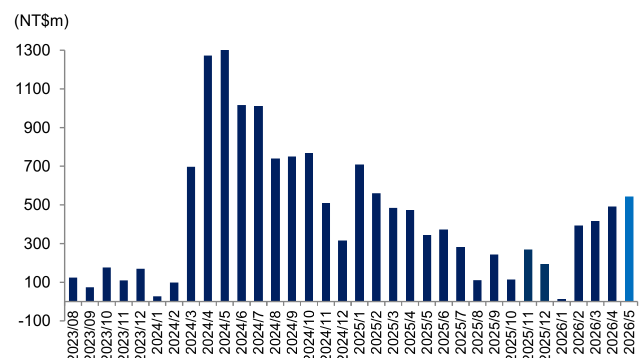
	Apr 2026	May 2026E	June 2026E	July 2026E	Aug 2026E	Sep 2026E	2Q26E	3Q26E
Revenues (NT$m)	832,098	859,409	659,861	745,642	835,120	1,377,695	2,351,368	2,958,457
YoY	30%	40%	22%	21%	38%	65%	31%	44%
MoM/QoQ	4%	3%	-23%	13%	12%	65%	11%	26%
GS estimates (NT$m)	819,812	815,456						
Actual vs. GS	1%	5%						

Revenue line represents actual results reported by the company.

Source: Company data, Goldman Sachs Global Investment Research

EV business in May 2026: Hon Hai's EV subsidiary Foxtron (2258.TW, Not Covered) reported **May revenues of NT$541mn (vs. Apr-26 / May-25 revenues at NT$490mn / NT$343mn)**. Post the announcement of its proposal to acquire Luxgen in December (report), Foxtron has announced its first self-branded vehicle "Foxtron Bria". Also, the partnership with Mitsubishi Motors (7211.T, covered by Kota Yuzawa) on passenger cars (read more in our report) and zero emission buses (read more on the company's announcement) suggest incremental growth opportunities for Foxtron which could be positive for Hon Hai.

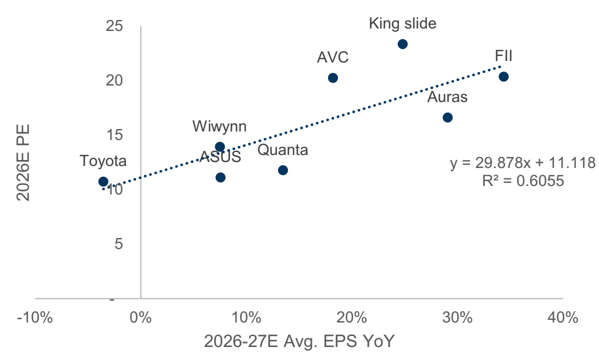
Exhibit 3: Foxtron's (Hon Hai's EV subsidiary) monthly revenues



Source: Company data

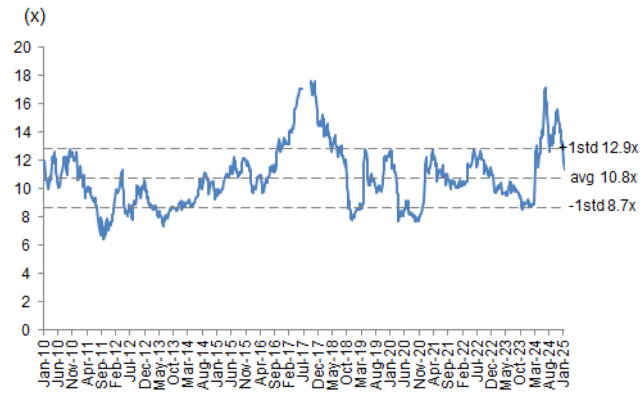
Valuation: Our unchanged 12m TP for **Hon Hai of NT$400 is based on 21x 2026E P/E.** Our target P/E multiple is derived from peers' average ratio of trading P/E to forward year NI YoY growth and OPM (P/E divided by the sum of NI YoY and OPM). Our target P/E of 21x is above the high end of Hon Hai's historical trading range (high end at 20x), reflecting our positive view on Hon Hai's business expansion from the competitive consumer electronics market to AI servers and EVs outsourcing, which should drive profit expansion with diversifying business opportunities for Hon Hai. **Maintain Buy (on CL).**

Exhibit 4: Hon Hai peers' 2026E P/E vs. 2026-27E NI YoY



Source: Goldman Sachs Global Investment Research

Exhibit 5: Hon Hai's 12M forward P/E ratio



Source: Eikon Datastream

Exhibit 6: Hon Hai: P&L summary

Hon Hai (2317.TW)	2022	2023	2024	2025	2026E	2027E	2028E	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E
NTD bn															
P&L															
Revenue	**6,627**	**6,162**	**6,860**	**8,103**	**11,057**	**13,795**	**15,586**	**1,644**	**1,793**	**2,059**	**2,606**	**2,120**	**2,351**	**2,958**	**3,628**
COGS	(6,227)	(5,774)	(6,431)	(7,605)	(10,410)	(13,057)	(14,768)	(1,544)	(1,680)	(1,928)	(2,453)	(1,989)	(2,213)	(2,789)	(3,419)
Gross profit	**400**	**388**	**429**	**498**	**647**	**738**	**818**	**101**	**114**	**131**	**153**	**131**	**138**	**169**	**209**
Operating expense	(226)	(221)	(228)	(239)	(283)	(323)	(352)	(54)	(57)	(60)	(68)	(55)	(68)	(72)	(88)
EBITDA	**250**	**251**	**288**	**347**	**465**	**537**	**590**	**70**	**80**	**95**	**102**	**101**	**96**	**123**	**146**
D&A	(76)	(84)	(88)	(88)	(101)	(121)	(123)	(24)	(23)	(25)	(16)	(25)	(25)	(25)	(25)
EBIT	**174**	**167**	**201**	**259**	**364**	**416**	**466**	**46**	**57**	**71**	**86**	**76**	**70**	**97**	**121**
Net interest income/(expense)	9	16	9	4	3	17	17	1	(1)	(3)	7	1	1	1	1
Disposal of assets (pre-tax)	4	15	2	7	0	0	0	0	1	6	0	0	0	0	0
Others	1	(5)	1	23	13	12	12	12	9	13	(10)	(2)	5	5	5
Pretax profit	**188**	**192**	**212**	**293**	**379**	**445**	**495**	**59**	**65**	**87**	**82**	**74**	**76**	**103**	**126**
Income tax	(36)	(37)	(40)	(78)	(76)	(93)	(104)	(13)	(16)	(21)	(29)	(15)	(15)	(21)	(25)
Minorities	(10)	(13)	(19)	(26)	(34)	(34)	(34)	(4)	(5)	(8)	(8)	(8)	(8)	(8)	(8)
Net income	**141**	**142**	**153**	**189**	**270**	**318**	**357**	**42**	**44**	**58**	**45**	**50**	**52**	**74**	**93**
EPS (NTD)	10.04	10.07	10.79	13.43	19.04	22.49	25.30	2.98	3.16	4.08	3.20	3.54	3.71	5.24	6.55
DPS (NTD)	5.22	5.31	5.70	7.15	10.13	11.97	13.47								
Dividend payout ratio	52%	53%	53%	53%	53%	53%	53%								
YoY% growth & margins															
Revenue growth	11%	-7%	11%	18%	36%	25%	13%	24%	16%	11%	22%	29%	31%	44%	39%
EBITDA growth	11%	0%	15%	20%	34%	15%	10%	23%	25%	25%	12%	44%	20%	29%	44%
EBIT growth	17%	-4%	20%	29%	40%	14%	12%	27%	27%	29%	33%	63%	24%	38%	41%
Net income growth	2%	0%	7%	24%	42%	18%	12%	91%	27%	17%	-2%	19%	18%	28%	105%
EPS growth	1%	0%	7%	24%	42%	18%	12%	90%	26%	16%	0%	19%	17%	28%	105%
Gross margin	6.0%	6.3%	6.3%	6.1%	5.9%	5.4%	5.2%	6.1%	6.3%	6.4%	5.9%	6.2%	5.9%	5.7%	5.8%
EBITDA margin	3.8%	4.1%	4.2%	4.3%	4.2%	3.9%	3.8%	4.3%	4.5%	4.6%	3.9%	4.8%	4.1%	4.1%	4.0%
EBIT margin	2.6%	2.7%	2.9%	3.2%	3.3%	3.0%	3.0%	2.8%	3.2%	3.4%	3.3%	3.6%	3.0%	3.3%	3.3%

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology – Hon Hai

Valuation methodology: We are Buy rated on Hon Hai. Our 12-month target price of **NT$400** is based on a **21.0x 2026E P/E** multiple, which is set in line with peers' PEG&M ratio (i.e. P/E vs. forward year earnings growth and OPM).

Key risks: (1) Slower-than-expected ramp-up of AI servers business; (2) weaker-than-expected EV total solution performance across EV assembly, design, software and semis; (3) slower-than-expected ramp-up of capacity globally; and (4) fiercer-than-expected competition in consumer electronics EMS business.

2317.TW	12m Price Target: **NT$400.00**	Price: **NT$284.50**	Upside: **40.6%**

Buy CL

Market cap: NT$4.0tr / $128.1bn
Enterprise value: NT$3.8tr / $122.3bn
3m ADTV: NT$19.5bn / $617.0mn
Taiwan
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (NT$ mn)	8,103,104.8	11,057,372.6	13,795,323.3	15,585,757.7
EBITDA (NT$ mn)	347,220.9	465,463.2	536,887.8	589,707.0
EPS (NT$)	13.41	19.04	22.49	25.30
P/E (X)	13.9	14.9	12.6	11.2
P/B (X)	1.5	2.2	2.0	1.8
Dividend yield (%)	3.8	3.6	4.2	4.7
N debt/EBITDA (ex lease,X)	(0.2)	(1.0)	(0.8)	(0.8)
CROCI (%)	14.0	16.4	17.9	17.5
FCF yield (%)	1.9	11.5	2.2	5.7

	3/26	6/26E	9/26E	12/26E
EPS (NT$)	3.60	3.71	5.24	6.55

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 5 Jun 2026 close.

Disclosure Appendix

Reg AC

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Contributing Authors: Allen Chang Goldman Sachs (Asia) L.L.C., Verena Jeng Goldman Sachs (Asia) L.L.C., Ting Song Goldman Sachs (Asia) L.L.C..

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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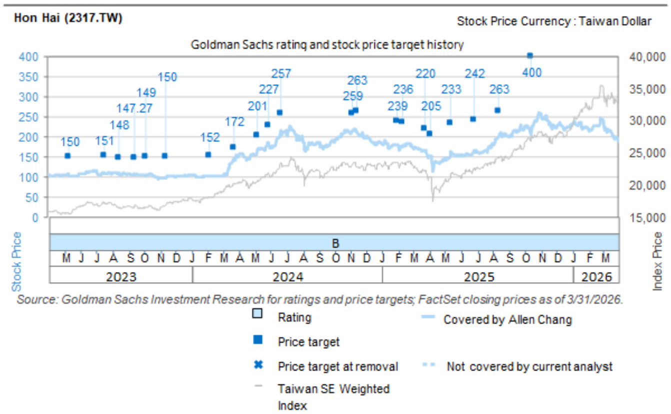

Source: Goldman Sachs Investment Research for ratings and price targets; FactSet closing prices as of 3/31/2026.

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Target price history table(s)

Hon Hai (2317.TW)

Date of report	Target price (NT$)	Closing price (NT$)
15-Oct-25	400.00	206.50
14-Aug-25	263.00	199.50
28-Jun-25	242.00	165.00
15-May-25	233.00	159.50
06-Apr-25	205.00	153.50
24-Mar-25	220.00	163.00
09-Feb-25	236.00	178.00
31-Jan-25	239.00	-
14-Nov-24	263.00	211.50
05-Nov-24	259.00	214.00
20-Jun-24	257.00	217.50
28-May-24	227.00	185.50
06-May-24	201.00	167.50
24-Mar-24	172.00	145.50
05-Feb-24	152.00	101.50
14-Nov-23	150.00	100.00
05-Oct-23	149.00	103.50
13-Sep-23	147.27	106.00
14-Aug-23	148.00	110.00
19-Jul-23	151.00	108.50

Price targets shown in table(s) are unadjusted for corporate actions.

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