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UPDATE

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Hon Hai Precision | Asia Pacific

May Revenue – 9% Beat; 2Q26 Outlook Raised

MORGAN STANLEY TAIWAN LIMITED+

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Key Takeaways

- May revenue of NT$859bn (+3% MoM, +40% YoY) was 9% above our estimate.
- 2Q26 revenue growth outlook is raised to better than +14% QoQ, thanks to ongoing AI server/rack shipment strength
- Stay OW. We expect AI server/rack shipment strength to drive strong profit growth in 2026-28e.

May revenue details:

- The consumer segment, mainly iPhone assembly work, grew MoM thanks to strong pull-in momentum.
- Server-related revenue stayed roughly flat MoM, despite ongoing rack delivery ramp.
- Computing segment revenue slowed MoM for seasonal adjustment

Better than expected 2Q26 outlook:

- Our checks suggest that 2Q26 revenue will grow more than 14% QoQ, better than the visibility offered a month ago.
- AI server/rack shipment strength should help mitigate light season impacts from both the consumer and computing segments.
- That implies June revenue of at least NT$757bn (up 40% YoY despite down 12% MoM)
- We see potential upside to our 2Q26 revenue forecast of NT$2,329bn, up 9% QoQ and 30% YoY.

Stay OW: We have GB300 server rack order visibility till the end of next year. Mass production of VR NVL72 server racks is scheduled by the end of 3Q26 and VR racks should become mainstream in 1Q27. AI ASIC server rack delivery will also increase, with contribution increasing to 30% of AI server revenue in 2H26.

Hon Hai Precision (2317.TW, 2317 TT)

Greater China Technology Hardware | Taiwan

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	NT$310.00
Up/downside to price target (%)	9
Shr price, close (Jun 5, 2026)	NT$284.50
52-Week Range	NT$314.00-152.00
Sh out, dil, curr (mn)	13,863
Mkt cap, curr (mn)	NT$3,944,021
EV, curr (mn)	NT$3,564,733
Avg daily trading value (mn)	NT$14,561

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	13.61	16.38	19.90	23.03
Prior EPS (NT$)**	-	-	-	-
EPS (NT$)§	14.77	17.63	21.38	24.70
Revenue, net (NT$ bn)	8,103.1	9,712.0	11,098.8	12,314.3
EBITDA (NT$ bn)	357.0	463.8	555.5	650.1
ModelWare net inc (NT $ bn)	189.4	229.7	279.0	322.9
P/E	16.9	17.4	14.3	12.4
P/BV	1.6	1.9	1.8	1.7
RNOA (%)	13.6	16.5	16.7	17.5
ROE (%)	10.2	11.7	13.3	14.4
EV/EBITDA	7.9	8.0	6.8	5.9
Div yld (%)	3.1	3.4	4.1	4.8

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

Valuation Methodology and Risks

Hon Hai Precision (2317.TW)

Base case scenario value, derived from a residual income valuation model. Our key assumptions include a cost of equity of 8.5%, a medium-term growth rate of 13%, and a terminal growth rate of 3%.

Risks to Upside

- Better-than-expected iPhone sell-through
- Faster progress in AI server business
- Faster EV business development progress
- Any new M&A activity that could improve sentiment

Risks to Downside

- Lower iPhone sell-through
- Smaller profit contribution from AI business
- Slower EV business development progress
- Geopolitical developments that could negatively affect foreign investment

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(as of May 31, 2026)
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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1542	42%	465	51%	30%	707	43%
Equal-weight/Hold	1571	43%	369	40%	23%	723	44%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	551	15%	86	9%	16%	201	12%
Total	3,667		920			1632	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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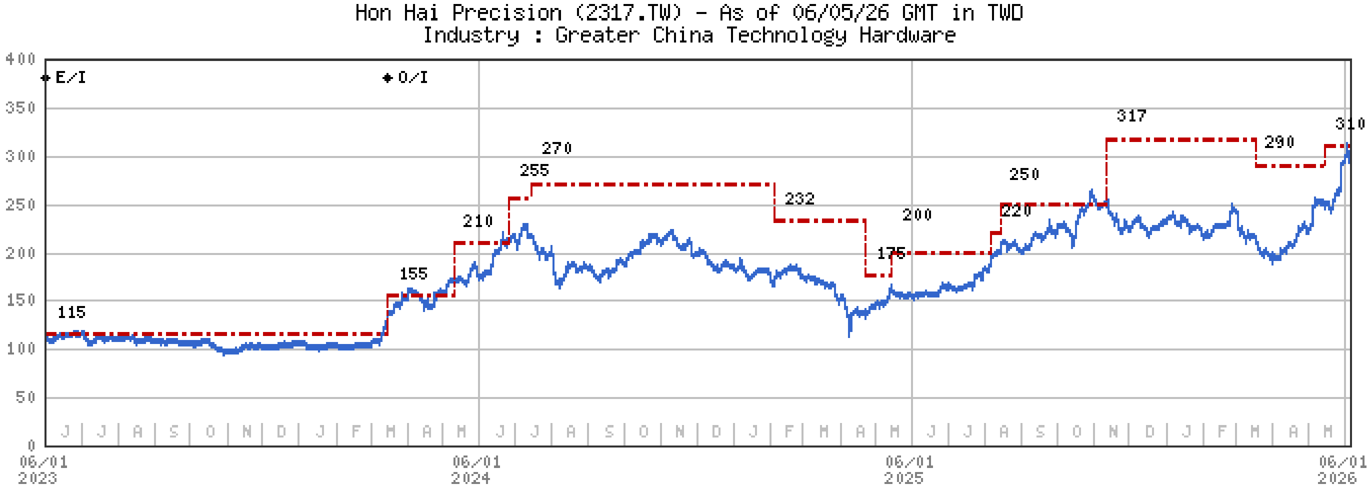
Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 6/1/21 : O/I; 1/9/23 : E/I; 3/15/24 : O/I

Price Target History: 3/22/21 : 168; 3/8/22 : 145; 1/9/23 : 116; 5/11/23 : 115; 3/15/24 : 155; 5/10/24 : 210; 6/26/24 : 255; 7/15/24 : 270; 2/5/25 : 232; 4/23/25 : 175; 5/14/25 : 200; 8/6/25 : 220; 8/14/25 : 250; 11/12/25 : 317; 3/17/26 : 290; 5/15/26 : 310

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/05/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$45.98
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb227.58
BYD Electronics (0285.HK)	O (04/28/2023)	HK$28.58
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb7.64
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb16.92
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb748.00
Genius Electronic Optical Co. Ltd. (3406.TW)	E (04/23/2025)	NT$682.00
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb5.26
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb31.28
Largan Precision (3008.TW)	E (10/17/2025)	NT$3,680.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb9.09
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb9.86
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$9.25
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb57.33
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$41.98
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb60.60
Sunny Optical (2382.HK)	E (03/23/2026)	HK$82.05
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb457.00
Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb21.39
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$27.80
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb441.67
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	E (04/20/2023)	HK$239.20
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb123.83
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb36.22
Zhongji Innolight Co Ltd (300308.SZ)	++	Rmb1,179.99
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$29.66

ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb39.13
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$2,490.00
Advantech (2395.TW)	O (01/20/2021)	NT$496.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,320.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$27.10
Bizlink (3665.TW)	O (03/10/2025)	NT$2,200.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb6.43
Chenbro (8210.TW)	O (07/23/2025)	NT$1,370.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$2,565.00
E Ink Holdings Inc. (8069.TWO)	O (05/11/2026)	NT$214.00
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$70.20
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$345.00
Innolux (3481.TW)	E (04/07/2025)	NT$53.70
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$5,620.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb45.61
Radiant Opto-Electronics Corporation (6176.TW)	E (03/01/2024)	NT$101.00
Sanan Optoelectronics (600703.SS)	U (08/21/2023)	Rmb16.91
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb4.89
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb8.61
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb189.23
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$38.40
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$900.00
Compal Electronics (2324.TW)	U (04/23/2025)	NT$41.40
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$8.45
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$369.00
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$1,315.00
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb62.14
Lenovo (0992.HK)	E (11/16/2025)	HK$24.88
Lotes Co. Ltd. (3533.TW)	E (05/12/2025)	NT$2,365.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$845.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$96.90
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$390.50
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb137.36
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb373.00
Unimicron (3037.TW)	O (02/23/2026)	NT$933.00
Wistron Corporation (3231.TW)	O (07/12/2023)	NT$171.00
Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$5,660.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$769.00
Zhen Ding (4958.TW)	O (05/18/2026)	NT$504.00
Sharon Shih		
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$2,600.00
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$1,110.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$230.50
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$2,300.00
Fositek Corp (6805.TW)	O (06/25/2025)	NT$1,950.00
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb74.06
Foxconn Technology (2354.TW)	U (04/23/2025)	NT$60.60
GoerTek Inc (002241.SZ)	U (04/23/2025)	Rmb24.82
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$284.50
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$2,655.00
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb15.08
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$230.00
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb68.77

Sunonwealth Electric Machine Industry Co (2421.TW)	E (02/23/2024)	NT$161.50
Tong Hsing (6271.TW)	E (03/18/2019)	NT$236.50
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$399.00

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.