Daiwa Capital Markets Hong Kong Limited

Hon Precision (7769 TT)

Target price: **n.a.**

Share price (23 Jun): **TWD6,810.00** | Up/downside: **-**

5 4 3 2 1

No Rating

Test the strength of the AI super cycle

- A local SPE maker specialising in FT and SLT equipment
- Riding on the AI buildout cycle spurring strong HPC demand
- Positioned for a paradigm shift in tech post Moore's Law

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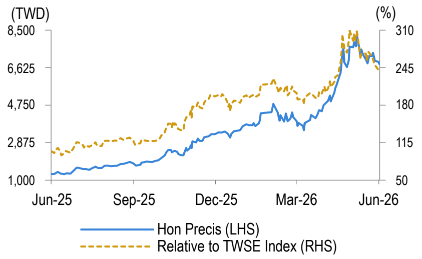
Background: Founded in April 2015, Hon Precision (Hon) was listed on the Emerging Stock Board in 2024 and transferred to the Main Board in 2025. As a local semiconductor production equipment (SPE) maker, Hon specialises in automated test equipment which accounts for c.80% of its revenue, focusing on final test (FT) and system-level test (SLT), with customers across outsourced semiconductor assembly & test (OSAT) and integrated device manufacturers (IDM). Thanks to its derivative customers supplying a variety of xPU accelerators and processors to capitalise on the AI buildout cycle, Hon's business recovered in 2024 after the COVID-driven downturn, accelerating its top/bottom line by 116%/134% YoY in 2025 for CAGRs of 79%/101% over 2023-25 since Nvidia led the AI builds.

Highlights: Riding on the AI HPC cycle. Hyperscale cloud service providers' (CSP) arm-racing builds of datacentres to facilitate AI compute and connectivity have spurred demand for AI high-performance compute (HPC) processors and accelerators since 2023, with the AI infrastructure builds scaling in breadth (broadened demand from CSPs to many other vertical industries and sovereign governments globally) and depth (expanded demand from generative to agentic AI) further accelerating the buildout cycle. In a form of xPU (GPU, CPU, TPU, DPU, etc), all these HPC chips require FT and increasingly demand SLT, opening an opportunity for local SPE makers such as Hon, with the opportunity further augmented by a paradigm shift in packaging technology advances in the post-Moore era.

Positioned for the post-Moore era. Near term, amid the strong AI buildouts, management indicated Hon is under-shipping demand, thus raising its capacity expansion target to 50% YoY pa over 2026-28 (from 40%) in order to meet the demand from customers for advanced FT and SLT. Although it gave no guidance for business growth or book-to-bill (B/B) ratios due to the SPE's high revenue volatility on customers' timing of validations, management suggested its expansion target as a proxy for growth, with ASP accretion adding to upside. Hon grew its top/bottom line in 1Q26 by another 81%/80% YoY, sustaining at high levels despite being off a high base. Longer term, Hon believes it is well positioned to capitalise on the paradigm shift in packaging technology advances such as 3D IC and co-packaged optics (CPO) to help extend the life cycle of Moore's Law in the semiconductor migrations, driving demand for its advanced FT and SLT on rising variety and complexity of chip design and manufacture.

Valuation: The stock trades at 2026/27E PER of 56x/33x and PBR of 18x/13x, based on Bloomberg consensus forecasts. Hon plans to pay TWD65/share cash dividend this year, while QFII holding is c.20%.

Share price performance



12-month range	1,260.00-8,260.00
Market cap (USDbn)	38.76
3m avg daily turnover (USDm)	190.88

Source: FactSet, Daiwa forecasts

Company

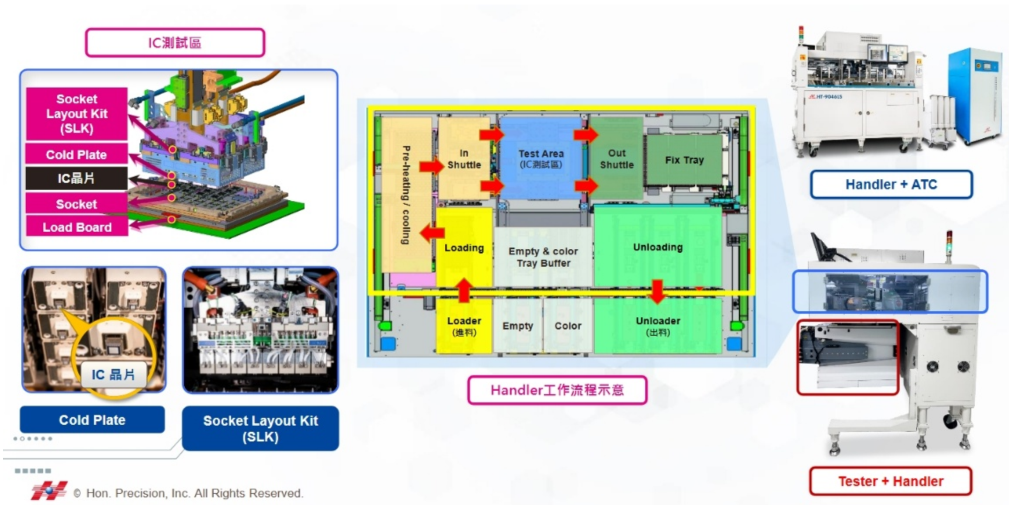
Hon: quarterly P&L summary

TWDm	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2022	2023	2024	2025
Revenue	2,440	3,011	3,582	4,960	5,913	6,885	8,198	9,276	10,725	13,469	9,489	13,992	30,271
COGS	-1,227	-1,180	-1,609	-2,277	-2,419	-2,847	-3,468	-4,423	-4,693	7,236	4,823	6,293	13,157
Gross profit	1,213	1,831	1,973	2,683	3,494	4,037	4,730	4,852	6,032	6,234	4,667	7,700	17,114
Opex	234	332	359	490	360	394	565	749	672	1,228	901	1,415	2,068
Operating profit	978	1,499	1,614	2,193	3,133	3,643	4,166	4,104	5,360	5,006	3,766	6,285	15,046
Pretax profit	1,142	1,557	1,499	2,485	3,235	3,156	4,524	4,669	5,798	5,690	3,887	6,683	15,584
Income taxes	-223	-335	-319	-520	-667	-690	-907	-958	-1,174	-1,324	-819	-1,397	-3,222
Net profit	919	1,221	1,180	1,965	2,568	2,466	3,617	3,711	4,624	4,356	3,068	5,286	12,362
EPS (TWD, basic)	5.75	7.63	7.30	12.25	15.89	15.26	22.39	22.73	25.70	92.77	19.17	32.95	75.71
EPS (TWD, fully diluted)	5.75	7.63	7.30	12.25	15.84	15.24	22.34	22.73	25.70	92.77	18.82	32.73	75.54
Margin													
Gross	50%	61%	55%	54%	59%	59%	58%	52%	56%	46%	49%	55%	57%
Operating	40%	50%	45%	44%	53%	53%	51%	44%	50%	37%	40%	45%	50%
Pretax	47%	52%	42%	50%	55%	46%	55%	50%	54%	42%	41%	48%	51%
Net	38%	41%	33%	40%	43%	36%	44%	40%	43%	32%	32%	38%	41%
Growth (QoQ)													
Revenue	na	23%	19%	38%	19%	16%	19%	13%	16%				
Gross profit	na	51%	8%	36%	30%	16%	17%	3%	24%				
Operating profit	na	53%	8%	36%	43%	16%	14%	-1%	31%				
Net profit	na	33%	-3%	67%	31%	-4%	47%	3%	25%				
EPS (basic)	na	33%	-4%	68%	30%	-4%	47%	2%	13%				
EPS (FD)	na	33%	-4%	68%	29%	-4%	47%	2%	13%				
Growth (YoY)													
Revenue	na	na	na	na	142%	129%	129%	87%	81%	10%	-30%	47%	116%
Gross profit	na	na	na	na	188%	120%	140%	81%	73%	9%	-25%	65%	122%
Operating profit	na	na	na	na	220%	143%	158%	87%	71%	16%	-25%	67%	139%
Net profit	na	na	na	na	179%	102%	207%	89%	80%	37%	-30%	72%	134%
EPS (basic)	na	na	na	na	177%	100%	207%	86%	62%	37%	-79%	72%	130%
EPS (FD)	na	na	na	na	176%	100%	206%	86%	62%	37%	-80%	74%	131%

Source: Company

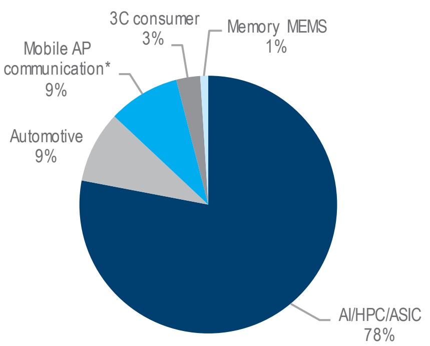
Hon mainly offers handlers, active thermal controls (ATC) and cold plates, together bundled with 3rd parties' testers for a complete FT system, or test boards for a complete SLT system

Hon: key product offerings



Source: Company

Hon: 1Q26 revenue mix by application



Source: Company
*Note: * AP = application processor*

Hon: 4-quarter-forward PER bands

Source: TEJ, Bloomberg

Financial summary

Hon: profit & loss (TWDm)

(year to 31 Dec)	2021	2022	2023	2024	2025
Revenue	12,292	13,469	9,489	13,992	30,271
COGS	-6,580	-7,236	-4,823	-6,293	-13,157
Gross profit	**5,712**	**6,234**	**4,667**	**7,700**	**17,114**
SG&A	-352	-233	-224	-236	-450
R&D	-651	-691	-548	-637	-1,039
Operating profit	**4,317**	**5,006**	**3,766**	**6,285**	**15,046**
Net interest income (expense)	4	14	68	160	306
Other non-op gains (losses)	-190	670	52	239	232
Pretax profit	**4,131**	**5,690**	**3,887**	**6,683**	**15,584**
Income tax	-933	-1,324	-819	-1,397	-3,222
Minority interest & others	-23	-10	0	0	0
Net profit	**3,175**	**4,356**	**3,068**	**5,286**	**12,362**
EPS (weighted average)	**68**	**93**	**19**	**33**	**76**
EPS (fully diluted)	**68**	**93**	**19**	**33**	**76**
DPS (TWD, against pre. year)	0	0	0	30	23
EBITDA	4,351	5,037	3,801	6,330	15,114

Source: Company

Hon: cash flow (TWDm)

(year to 31 Dec)	2021	2022	2023	2024	2025
Pretax profit	4,131	5,690	3,887	6,683	15,584
Depreciation & amortization	34	31	35	46	69
Changes in working capital	-3,788	-1,059	1,494	-3,545	-4,100
Other operating CF items	441	-1,158	-132	-876	4,633
Cash flow from operations	**819**	**3,503**	**5,283**	**2,308**	**16,186**
Capex	-153	-404	-230	-133	-286
Net disposals (acquisitions)	0	0	0	0	0
Other investing CF items	-26	-47	-676	-1,189	854
Cash flow from investing	**-179**	**-451**	**-906**	**-1,322**	**569**
Changes in debts	-16	-158	0	156	-152
Net share issues (purchases)	20	0	0	894	34,466
Dividends paid	-328	-399	-2,398	-4,800	-3,636
Other financing CF items	-9	-28	-9	-9	-29
Cash flow from financing	**-333**	**-585**	**-2,408**	**-3,759**	**30,650**
Forex effects & other adjustments	-0	1	-2	4	-2
Change in cash	306	2,468	1,968	-2,769	47,402
Free cash flow	**666**	**3,099**	**5,053**	**2,175**	**15,900**

Source: Company

Financial summary continued …

Hon: balance sheet (TWDm)

(as at 31 Dec)	2021	2022	2023	2024	2025
Cash & ST investment	4,428	6,862	9,498	8,045	54,228
Inventory	4,346	5,149	4,092	8,444	12,641
Accounts receivable	3,231	2,544	1,111	2,913	2,935
Other current assets	98	84	43	135	391
Total current assets	**12,104**	**14,638**	**14,744**	**19,537**	**70,195**
Fixed assets	1,241	1,580	1,771	1,888	2,106
Goodwill & intangibles	3	11	11	18	35
Other non-current assets	132	163	312	357	761
Total assets	**13,494**	**16,435**	**16,877**	**21,866**	**73,270**
Short-term debt	0	0	0	157	0
Accounts payable	1,801	971	536	3,181	3,402
Contract liabilities	1,703	1,889	2,597	2,398	6,591
Other current liabilities	2,077	1,898	1,392	2,292	5,035
Total current liabilities	**5,582**	**4,758**	**4,525**	**8,028**	**15,028**
Long-term debt	177	0	0	0	0
Other non-current liabilities	12	22	37	106	211
Total liabilities	**5,770**	**4,781**	**4,562**	**8,134**	**15,239**
Share capital	470	470	1,600	1,616	1,799
Reserves, R/E and others	7,200	11,185	10,715	12,116	56,232
Shareholders' equity	**7,670**	**11,654**	**12,315**	**13,732**	**58,031**
Minority interest	54	0	0	0	0
Total equity & liabilities	**13,494**	**16,435**	**16,877**	**21,866**	**73,270**
Net debt (cash)	-4,251	-6,862	-9,498	-7,888	-54,228
BVPS (TWD)	164	248	76	85	355

Source: Company

Hon: key ratios analysis

Year to 31 Dec (%)	2021	2022	2023	2024	2025
Growth					
Revenue	na	110%	70%	147%	216%
Operating profit	na	16%	-25%	67%	139%
Net profit	na	37%	-30%	72%	134%
EPS (fully diluted)	na	37%	-80%	74%	131%
EBITDA	na	16%	-25%	67%	139%
Margin					
Gross profit	46%	46%	49%	55%	57%
Operating profit	35%	37%	40%	45%	50%
Net profit	26%	32%	32%	38%	41%
EBITDA	35%	37%	40%	45%	50%
Profitability					
ROE	41%	37%	25%	38%	21%
ROA	24%	27%	18%	24%	17%
ROCE	89%	90%	87%	67%	268%
Leverage					
Debt to equity	75%	41%	37%	59%	26%
Interest-bearing debt to equity	2%	0%	0%	1%	0%
Net debt to equity	-54%	-59%	-71%	-43%	-92%
Efficiency					
Days receivable	48	69	43	76	35
Days inventory	121	260	310	490	351
Days payable	50	49	41	184	94
Cash cycle	119	280	312	381	292

Source: Company

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Disclosure of investment ratings

Rating	Percentage of total
Buy*	73.51%
Hold**	19.39%
Sell***	7.10%

Source: Daiwa

Notes: data is for single-branded Daiwa research in Asia (ex Japan) and correct as of 31 March 2026.
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- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by our company.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

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