Hon Precision

Solid AI backlog and accelerated capacity build support strong earnings CAGR

Maintain Rating: BUY | PO: 7,800 TWD | Price: 6,525 TWD

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Equity

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Robust AI orders momentum with extending visibility

Hon Precision's July sales were resilient at NT$5.2bn, tracking ahead of our 3Q26 sales forecast at 37%. Its orders backlog remains solid driven by AI/HPC chips testing demand, with AI ASIC strength growing on top of sustained AI GPU/CPU shipment. With order visibility extending through year-end, we see multiple growth catalysts supporting Hon Precision's 2026/27 revenue uptrend (BofAe +77%/+43% YoY), including high-end FT/SLT handlers for Tesla, fab expansion from US auto IDM, steady ramps in shipment for Google TPU, robust orders from Nvidia/AMD CPU/GPU, as well as rising demand from China market for local high-end chips testing. GPM should see improvement from 57% in 2026 to 60% in 2028 mainly driven by spec upgrade and better mix, in our view.

Accelerated capacity build and ASP uplift on spec upgrade

Following +45% capacity increase in 1H26, Hon Precision's capacity expansion target of +40% YoY in '26 is on track. New DeShen plant scheduled to begin production in 1Q27, China local production from outsourcing partner, and space optimization in headquarters combined should support the company's target of +50% YoY capacity increase in 2027, followed by another 50% in 2028. We believe the ongoing capacity build-out would provide firmer headroom to convert current strong order pipeline into revenue. As large-package handler gradually sees more traction from 4Q26 with adoption rate targeted at 15-30% of total shipment in 2027 and +20~25% in ASP, we expect Hon Precision's blended ASP to +7% CAGR over '26-28, while CPO insertion 4 O/E test engineering equipment is on track for delivery to the client in October 2026 and would see more concrete orders and configuration when customer finalize its CPO chip spec.

Maintain Buy on solid AI backlog and decent EPS growth

We maintain our Buy rating with PO at NT$7,800 on 36x 2H27-1H28 P/E. The share valuation looks undemanding at 36x/25x '27/28 P/E (vs. its historical 8-56x range) backed by 40%/42% sales/earnings CAGR on strong order backlog from AI applications.

Estimates (Dec) (NT$)	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Net Income (Adjusted - mn)	5,286	12,362	22,256	32,239	45,161
EPS	32.73	75.71	123.54	178.95	250.68
EPS Change (YoY)	NA	131.3%	63.2%	44.9%	40.1%
Dividend / Share	22.50	65.00	100.00	145.00	190.00
Free Cash Flow / Share	13.56	97.37	49.33	104.29	209.49
Valuation (Dec)					
P/E	199.37x	86.19x	52.82x	36.46x	26.03x
Dividend Yield	0.345%	0.996%	1.53%	2.22%	2.91%
EV / EBITDA*	177.32x	74.27x	41.50x	28.17x	20.06x
Free Cash Flow Yield*	0.185%	1.35%	0.756%	1.60%	3.21%

* For full definitions of *iQmethod* SM measures, see page 6.

Stock Data

Price	6,525 TWD
Price Objective	7,800 TWD
Date Established	24-Jun-2026
Investment Opinion	C-1-7
52-Week Range	1,532 TWD-8,448 TWD
Mrkt Val / Shares Out (mn)	36,878 USD / 179.9
Market Value (mn)	1,174,043 TWD
Average Daily Value (mn)	143.32 USD
Free Float	46.2%
BofA Ticker / Exchange	XXPIF / TAI
Bloomberg / Reuters	7769 TT / 7769.TW
ROE (2026E)	35.2%
Net Dbt to Eqty (Dec-2025A)	-93.4%

See glossary of abbreviations on page 3.

iQprofile [SM] Hon Precision

Key Income Statement Data (Dec)	2024A	2025A	2026E	2027E	2028E
(NT$ Millions)					
Sales	13,992	30,271	53,544	76,302	105,252
Gross Profit	7,700	17,114	30,523	44,852	63,019
Sell General & Admin Expense	(778)	(1,028)	(1,512)	(2,556)	(3,507)
Operating Profit	6,285	15,046	26,931	39,726	55,830
Net Interest & Other Income	398	538	1,025	775	905
Associates	NA	NA	NA	NA	NA
Pretax Income	6,683	15,584	27,956	40,502	56,735
Tax (expense) / Benefit	(1,397)	(3,222)	(5,700)	(8,263)	(11,575)
Net Income (Adjusted)	5,286	12,362	22,256	32,239	45,161
Average Fully Diluted Shares Outstanding	162	163	180	180	180
Key Cash Flow Statement Data					
Net Income	5,286	12,362	22,256	32,239	45,161
Depreciation & Amortization	46	69	115	115	115
Change in Working Capital	(3,509)	(3,998)	(11,403)	(11,605)	(5,601)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	485	7,753	(154)	(47)	(47)
Cash Flow from Operations	2,308	16,186	10,814	20,701	39,627
Capital Expenditure	(133)	(286)	(1,940)	(1,940)	(1,940)
(Acquisition) / Disposal of Investments	(1,343)	1,127	(7,888)	0	0
Other Cash Inflow / (Outflow)	153	(272)	389	(29)	(5)
Cash Flow from Investing	(1,322)	569	(9,440)	(1,969)	(1,945)
Shares Issue / (Repurchase)	894	34,466	0	0	0
Cost of Dividends Paid	(4,800)	(3,636)	(11,695)	(17,993)	(26,090)
Cash Flow from Financing	(3,759)	30,650	(11,702)	(17,993)	(26,090)
Free Cash Flow	2,175	15,900	8,874	18,761	37,687
Net Debt	(7,888)	(54,228)	(51,758)	(52,497)	(64,090)
Change in Net Debt	2,925	(47,554)	10,320	(739)	(11,593)
Key Balance Sheet Data					
Property, Plant & Equipment	1,888	2,106	3,842	5,678	7,515
Other Non-Current Assets	441	969	851	822	817
Trade Receivables	2,913	2,935	5,477	8,621	10,381
Cash & Equivalents	8,045	54,228	51,758	52,497	64,090
Other Current Assets	8,579	13,033	23,940	35,513	40,848
Total Assets	21,866	73,270	85,869	103,132	123,652
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	106	211	221	215	213
Short-Term Debt	157	0	0	0	0
Other Current Liabilities	7,871	15,028	17,387	21,176	23,113
Total Liabilities	8,134	15,239	17,607	21,391	23,326
Total Equity	13,732	58,031	68,262	81,741	100,325
Total Equity & Liabilities	21,866	73,270	85,869	103,132	123,652
iQ*method [SM] - Bus Performance					
Return On Capital Employed	NA	33.7%	35.0%	43.1%	49.7%
Return On Equity	77.0%	34.5%	35.2%	43.0%	49.6%
Operating Margin	44.9%	49.7%	50.3%	52.1%	53.0%
EBITDA Margin	45.2%	49.9%	50.5%	52.2%	53.2%
iQ*method [SM] - Quality of Earnings					
Cash Realization Ratio	0.4x	1.3x	0.5x	0.6x	0.9x
Asset Replacement Ratio	3.0x	4.6x	18.8x	18.8x	18.8x
Tax Rate (Reported)	20.9%	20.7%	20.4%	20.4%	20.4%
Net Debt-to-Equity Ratio	-57.4%	-93.4%	-75.8%	-64.2%	-63.9%
Interest Cover	NM	NM	NM	NA	NA

Key Metrics

* For full definitions of *iQmethod* [SM] measures, see page 6.

Company Sector

Semiconductor Capital Equipment

Company Description

Hon Precision is a Taiwan-based semiconductor equipment supplier specializing in test handler system for FT and SLT across a wide range of applications, including AI/HPC, automotive, memory, and consumer electronics. Founded in 2025, with roots tracing back to Hon Technology established in 1999, the company's core strength lies in its turnkey service offering, delivering comprehensive, on-step test handler systems integrated with ATC solutions and cold plate technologies.

Investment Rationale

We have a Buy rating on Hon Precision, in view of its strong technology leadership in the semiconductor back-end testing equipment. It has a solid market position with around 70% share in FT handler market and close to 50% share in SLT handler market. Longer-term, the company could ride on the AI-driven structural back-end testing demand and dollar content gain from chips migration toward more complicated designs.

Stock Data

Price to Book Value	17.2x

Focus tables

Exhibit 1: Hon Precision 3Q26-4Q26 and 2026-28 estimates BofAe vs. street

We now model GUC's 2026/27/28 EPS to be NT$123.54/178.95/250.68

	3Q26E			4Q26E			2026E			2027E			2028E		
	BofAe	Street	vs. street	BofAe	Street	vs. street	BofAe	Street	vs. street	BofAe	Street	vs. street	BofAe	Street	vs. street
Sales (NT$mn)	$14,249	$14,129	1%	$14,776	$16,056	-8%	$53,544	$53,561	0%	$76,302	$88,216	-14%	$105,252	$143,696	-27%
Sales QoQ / YoY (%)	3.3%	12.6%		3.7%	13.6%		76.9%	76.9%		42.5%	64.7%		37.9%	62.9%	
Gross profit (NT$mn)	$8,156	$8,080	1%	$8,599	$9,188	-6%	$30,523	$30,489	0%	$44,852	$51,127	-12%	$63,019	$85,206	-26%
GMs (%)	57.2%	57.2%	0%	58.2%	57.2%	1%	57.0%	56.9%	0%	58.8%	58.0%	1%	59.9%	59.3%	1%
Operating profit (NT$mn)	$7,282	$7,155	2%	$7,603	$8,090	-6%	$26,931	$27,085	-1%	$39,726	$46,283	-14%	$55,830	$76,050	-27%
OpMs (%)	51.1%	50.6%	0%	51.5%	50.4%	1%	50.3%	50.6%	0%	52.1%	52.5%	0%	53.0%	52.9%	0%
Pretax profit (NT$mn)	$7,466	$7,409	1%	$7,797	$8,461	-8%	$27,956	$28,305	-1%	$40,502	$47,594	-15%	$56,735	$79,790	-29%
Pretax margins (%)	52.4%	52.4%	0%	52.8%	52.7%	0%	52.2%	52.8%	-1%	53.1%	54.0%	-1%	53.9%	55.5%	-2%
Tax expense (NT$mn)	-$1,519	-$1,665	-9%	-$1,591	-$1,903	-16%	-$5,700	-$5,946	-4%	-$8,263	-$10,024	-18%	-$11,575	-$16,255	-29%
Tax rate (%)	20.3%	22.5%	-2%	20.4%	22.5%	-2%	20.4%	21.0%	-1%	20.4%	21.1%	-1%	20.4%	20.4%	0%
Net profit (NT$mn)	$5,948	$5,744	4%	$6,205	$6,558	-5%	$22,256	$22,359	0%	$32,239	$37,570	-14%	$45,161	$63,535	-29%
Net margins (%)	41.7%	40.7%	1%	42.0%	40.8%	1%	41.6%	41.7%	0%	42.3%	42.6%	0%	42.9%	44.2%	-1%
EPS (NT$)	$33.01	$33.05	0%	$34.44	$37.50	-8%	$123.54	$125.40	-1%	$178.95	$207.99	-14%	$250.68	$349.29	-28%

Source: BofA Global Research estimates, Bloomberg

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Exhibit 2: Terms and definitions

Glossary of abbreviations/acronyms

Term	Definition
AI	Artificial Intelligence
ASIC	Application Specific Integrated Circuit
CPO	Co-Packaged Optics
FT	Final test
GPU	Graphic Processing Unit
HPC	High-Performance Computing
SLT	System level test

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Hon Precision (XXPIF)

Our PO of NT$7,800 is based on 36x 2027E P/E, positioned at the upper half of its historical trading range of 8-56x. We believe a P/E based valuation is appropriate given Hon Precision's consistent profitability profile and structurally improving earnings quality through industry cycle, and the valuation multiple is underpinned by: 1) 40%/44% CAGR in sales and operating profit over 2026-28E, and 2) sustained ROE in the 30-40% range.

Downside risks are: 1) slowdown in back-end testing capacity expansion and 2) mis-execution on equipment development and production ramp.

Analyst Certification

I, Haas Liu, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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APR - Semiconductor Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alchip	ALCPF	3661 TT	Haas Liu
	All Ring	XNQNF	6187 TT	Haas Liu
	AMEC	XRTOF	688012 CH	Dai Shen
	ASE Technology Holding	XSRIF	3711 TT	Haas Liu
	ASE Technology Holding -ADR	ASX	ASX US	Haas Liu
	ASMPT	ASMVF	522 HK	Simon Woo, CFA
	Aspeed	XLKMF	5274 TT	Mike Yang
	Chroma ATE	CRMJF	2360 TT	Haas Liu
	eMemory	XYLWF	3529 TT	Mike Yang
	GigaDevice	XGXIF	603986 CH	Daley Li, CFA
	Global Unichip Corp.	GBUHF	3443 TT	Haas Liu
	Grand Process Technology Corp	XZOWF	3131 TT	Haas Liu

APR - Semiconductor Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Hanmi Semiconductor	HNSIF	042700 KS	Simon Woo, CFA
	Hon Precision	XXPIF	7769 TT	Haas Liu
	Horizon Robotics	HRZRF	9660 HK	Daley Li, CFA
	Iluvatar CoreX	XSIBF	9903 HK	Daley Li, CFA
	Ingenic	XISCF	300223 CH	Dai Shen
	InnoScience Technology	XSCHF	2577 HK	Daley Li, CFA
	JCET Group Co Ltd	XJIEF	600584 CH	Dai Shen
	King Yuan Electronics Corp.	KYUFF	2449 TT	Haas Liu
	Kinik	KIKCF	1560 TT	Haas Liu
	Macronix International	MXICF	2337 TT	Dai Shen
	MediaTek	MDTKF	2454 TT	Haas Liu
	Montage Technology	XRDFF	688008 CH	Daley Li, CFA
	MPI Corporation	XMJCF	6223 TT	Mike Yang
	Nanya Technology	NNYAF	2408 TT	Simon Woo, CFA
	NCE Power	XVFFF	605111 CH	Daley Li, CFA
	OmniVision	XXHQF	603501 CH	Dai Shen
	Phison Electronics	PISNF	8299 TT	Simon Woo, CFA
	Powerchip Semiconductor Manufacturing Co	XCHPF	6770 TT	Haas Liu
	Powertech Technology	PWOGF	6239 TT	Simon Woo, CFA
	Rockchip	XRPXF	603893 CH	Daley Li, CFA
	Samsung C&T	XCDTF	028260 KS	Simon Woo, CFA
	Samsung Elec -G	SSNHZ	SMSN LI	Simon Woo, CFA
	Samsung Electronics	SSNLF	005930 KS	Simon Woo, CFA
	Samsung Electronics Preferred	SSNNF	005935 KS	Simon Woo, CFA
	Silergy Corp.	SLEGF	6415 TT	Mike Yang
	Silicon Motion	SIMO	SIMO US	Simon Woo, CFA
	SK Hynix	HXSCF	000660 KS	Simon Woo, CFA
	SK Hynix ADR	SKHY	SKHY US	Simon Woo, CFA
	SK Square	SKSQF	402340 KS	Simon Woo, CFA
	Taiwan Semiconductor Manufacturing Co.	TSM	TSM US	Haas Liu
	Taiwan Semiconductor Manufacturing Co.	TSMWF	2330 TT	Haas Liu
	Vanguard International Semiconductor Co	VGILF	5347 TT	Haas Liu
	Winbond Electronics	WBEKF	2344 TT	Dai Shen
	WinWay Technology	XWCLF	6515 TT	Mike Yang
	WT Microelectronics	XZOPF	3036 TT	Mike Yang
NEUTRAL				
	ASMedia Technology Inc.	XZSFF	5269 TT	Mike Yang
	Black Sesame Intl Holding	BSIHF	2533 HK	Daley Li, CFA
	Hangzhou Silan Microelectronics	XDFRF	600460 CH	Daley Li, CFA
	Lion Electronics	XDHFF	605358 CH	Dai Shen
	MetaX	XMEZF	688802 CH	Daley Li, CFA
	Novatek	NVKMF	3034 TT	Mike Yang
	Realtek	RLTKF	2379 TT	Mike Yang
	Shenzhen Goodix	XQPLF	603160 CH	Daley Li, CFA
	Soulbrain	XSBOF	357780 KS	Simon Woo, CFA
UNDERPERFORM				
	Crystal Clear	XPPTF	300655 CH	Dai Shen
	Faraday	FDYTF	3035 TT	Haas Liu
	GlobalWafers	XWLFF	6488 TT	Mike Yang
	Hua Hong Grace	HHUSF	1347 HK	Dai Shen
	LX Semicon	XLXSF	108320 KS	Simon Woo, CFA
	M31 Technology	XMTZF	6643 TT	Mike Yang
	Maxscend	XMXSF	300782 CH	Daley Li, CFA
	Parade	PRDWF	4966 TT	Mike Yang
	United Microelectronics Corp.	XUMIF	2303 TT	Haas Liu
	United Microelectronics Corp.	UMC	UMC US	Haas Liu
	VeriSilicon	XMLZF	688521 CH	Daley Li, CFA
	Win Semiconductors	WSMIF	3105 TT	Haas Liu
	Wonik IPS	XRHQF	240810 KS	Simon Woo, CFA

*iQ*method℠ Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A

Quality of Earnings	Numerator	Denominator
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt – Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense

Valuation Toolkit	Numerator	Denominator
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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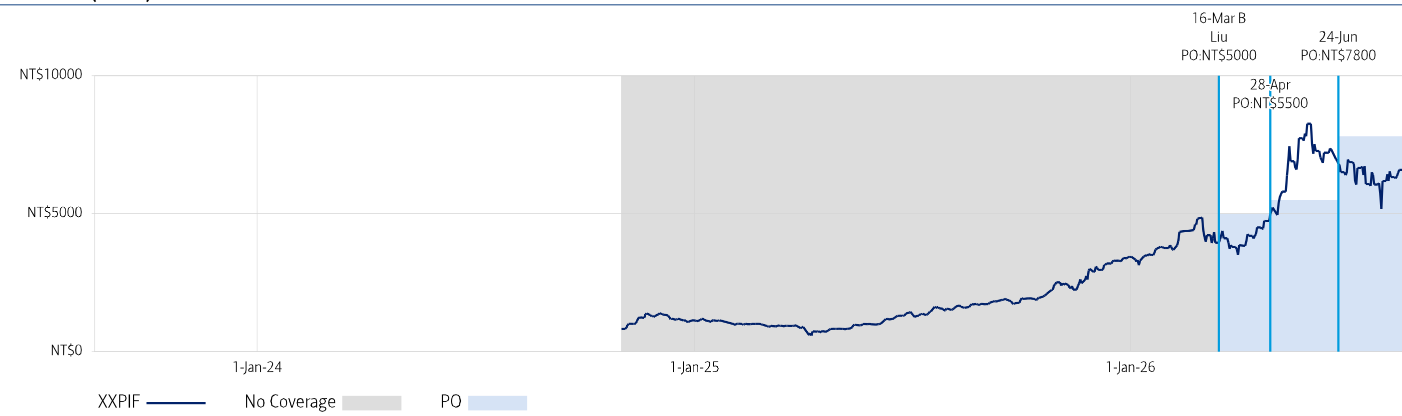
Important Disclosures

Hon Precision (XXPIF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 30 Jun 2026)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	243	60.60%	Buy	123	50.62%
Hold	87	21.70%	Hold	45	51.72%
Sell	71	17.71%	Sell	21	29.58%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2026)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1987	56.11%	Buy	1190	59.89%
Hold	797	22.51%	Hold	496	62.23%
Sell	757	21.38%	Sell	391	51.65%

[R1] Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2]Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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