Hon Hai

NT$270.00 - OUTPERFORM

Research provided by SinoPac

12 August 2026

Taiwan

Technology

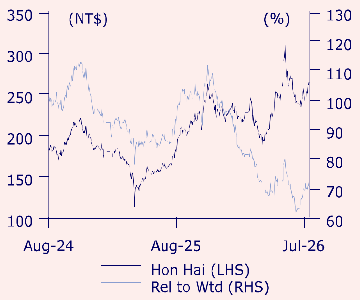
Reuters	2317.TW
Bloomberg	2317 TT
Priced on 12 August 2026	
Taiwan Wtd @ 45,518.1	
12M hi/lo	NT$309.00/187.50
12M price target	NT$375.00
±% potential	+39%
Shares in issue	13,863.0m
Free float (est.)	85.8%
Market cap	US$116.2bn
3M ADV	US$598.8m
Foreign s'holding	41.0%

Major shareholders
Terry Gou 12.4%
Vanguard Group 4.2%

SinoPac analysts:
Sam Kao, SinoPac

Stock performance (%)

	1M	3M	12M
Absolute	10.7	4.4	32.8
Relative	11.3	(3.3)	(28.9)
Abs (US$)	10.3	2.1	23.3



Source: Bloomberg

Better setup

Change in target price

Maintain Outperform on stronger cloud demand and market share gain

We believe the Rubin Ultra chip/rack design changes are a positive development for ODM as a volume play, and we now forecast NVL shipments to reach 100k/130k in 2027/28. We think Hon Hai is well set up to outperform the market as it gains further market share in Rubin and new ASIC platforms. And supported by its better automation and vertical integration capabilities, and backed by a stronger balance sheet, dilution (margins and earnings) from the growing AI businesses should be much less than peers. We lift 26-28SP EPS by 2-27%, resulting in a higher TP of NT$375 (previously NT$320). Maintain Outperform.

2Q26 results and 3Q26 outlook

2Q26 operating profit was 19%/18% ahead of our/consensus forecasts driven by better consumer IT demand and margins. GM/OPM of 6%/4% was 0.1ppt/0.5ppt ahead of expectations, with the company attributing the margins strength to better cost control and operating leverage. For 3Q26, Hon Hai guides sales to rise 5-15% QoQ, which is in range with consensus forecasts of high-single-digit QoQ growth.

Ongoing upward revisions to cloud demand

Hon Hai continues to see better full-year growth for its cloud business versus the last earnings meeting in May, and reiterated its previous guidance that AI rack shipments will grow sequentially growth throughout the year. Rubin production is on schedule, with Hon Hai still targeting to expand its market share to 50%, while Blackwell demand also remains resilient. For consumer IT, Hon Hai maintains its full-year guidance on respective segments, despite sales tracking ahead YTD.

Better setup ahead

We now forecast NVL rack shipments to reach 100k/130k in 2027/28 as a result of the Rubin Ultra chip/rack design changes, which we think is a positive development for ODM as a volume play. We believe Hon Hai is well set up to outperform the market as it gains further market share in Rubin and new ASIC platforms. Supported by its better automation and vertical integration capabilities, and backed by a stronger balance sheet, dilution (margins and earnings) from growing AI businesses should be much less than peers will experience.

Earnings revisions and valuation

We lift 26-28SP EPS by 2-27% on a stronger AI rack shipment outlook and Opex control, bringing our TP to NT$375 (from NT$320), still based on a SOTP PE multiple of 14x 27SP EPS (18x/9x for AI/non-AI segments). Maintain Outperform.

Financials

Year to 31 December	24A	25A	26SP	27SP	28SP
Revenue (NT$m)	6,859,615	8,103,105	10,491,579	15,619,783	18,776,482
Rev forecast change (%)	*-*	*-*	*5.2*	*26.1*	*36.9*
Net profit (NT$m)	152,705	189,354	252,650	382,978	448,194
NP forecast change (%)	*-*	*-*	*1.9*	*19.7*	*26.5*
EPS (NT$)	10.99	13.52	17.90	27.13	31.75
SP/consensus (23) (EPS%)	-	-	102	127	127
EPS growth (% YoY)	7.2	23.0	32.3	51.6	17.0
PE (x)	24.6	20.0	15.1	10.0	8.5
Dividend yield (%)	2.1	2.7	3.3	5.0	5.9
ROE (%)	9.9	11.3	13.5	18.2	18.7
Net debt/equity (%)	(0.4)	11.7	15.9	26.5	30.7

Source: SinoPac

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Great

Solid

Meh

 For important disclosures please refer to page 10.

Financials at a glance

Year to 31 December	2024A	2025A	2026SP	(% YoY)	2027SP	2028SP
Profit & Loss (NT$m)						
Revenue	**6,859,615**	**8,103,105**	**10,491,579**	*29.5*	**15,619,783**	**18,776,482**
Cogs (ex-D&A)	(6,342,788)	(7,507,191)	(9,753,409)		(14,657,281)	(17,656,753)
Gross Profit (ex-D&A)	**516,827**	**595,914**	**738,170**	*23.9*	**962,503**	**1,119,729**
SG&A and other expenses	(228,339)	(238,938)	(255,814)		(294,187)	(338,315)
Op Ebitda	**288,489**	**356,976**	**482,356**	*35.1*	**668,316**	**781,414**
Depreciation/amortisation	(87,882)	(97,753)	(112,736)		(131,184)	(151,214)
Op Ebit	**200,607**	**259,223**	**369,620**	*42.6*	**537,132**	**630,200**
Net interest inc/(exp)	8,781	(7,087)	(8,504)		(7,087)	(7,087)
Other non-Op items	2,487	41,309	10,793	*(73.9)*	14,774	14,774
Profit before tax	**211,875**	**293,445**	**371,909**	*26.7*	**544,819**	**637,888**
Taxation	(40,196)	(78,410)	(90,608)		(130,757)	(153,093)
Profit after tax	**171,679**	**215,034**	**281,301**	*30.8*	**414,062**	**484,795**
Minority interest	(18,974)	(25,681)	(28,651)		(31,085)	(36,600)
Net profit	**152,705**	**189,354**	**252,650**	*33.4*	**382,978**	**448,194**
Adjusted profit	**152,705**	**189,354**	**252,650**	*33.4*	**382,978**	**448,194**
Cashflow (NT$m)	**2024A**	**2025A**	**2026SP**	***(% YoY)***	**2027SP**	**2028SP**
Operating profit	**200,607**	**259,223**	**369,620**	*42.6*	**537,132**	**630,200**
Depreciation/amortisation	87,882	97,753	112,736	*15.3*	131,184	151,214
Working capital changes	(102,348)	(66,721)	(199,795)		(419,411)	(322,374)
Other items	(20,111)	(63,403)	(101,958)		(136,847)	(160,136)
Net operating cashflow	**166,029**	**226,852**	**180,603**	*(20.4)*	**112,058**	**298,904**
Capital expenditure	(136,339)	(173,763)	(230,000)		(250,000)	(250,000)
Free cashflow	**29,690**	**53,089**	**(49,397)**		**(137,942)**	**48,904**
M&A/Others	(163,707)	(130,926)	0		0	0
Net investing cashflow	**(300,046)**	**(304,689)**	**(230,000)**		**(250,000)**	**(250,000)**
Increase in loans	(7,143)	317,976	500	*(99.8)*	500	500
Dividends	(83,134)	(106,731)	(100,173)		(126,325)	(191,489)
Net equity raised/other	(73,795)	(41,298)	(51,111)		(55,419)	(57,039)
Net financing cashflow	**(164,072)**	**169,947**	**(150,783)**		**(181,244)**	**(248,028)**
Incr/(decr) in net cash	(298,089)	92,110	(200,180)		(319,186)	(199,124)
Exch rate movements	37,534	(12,778)	6,440		9,201	5,739
Balance sheet (NT$m)	**2024A**	**2025A**	**2026SP**	***(% YoY)***	**2027SP**	**2028SP**
Cash & equivalents	937,108	1,016,440	822,700	*(19.1)*	512,715	319,330
Accounts receivable	1,197,965	1,234,268	1,498,797	*21.4*	2,082,638	2,503,531
Other current assets	1,215,541	1,677,748	2,003,498	*19.4*	2,712,612	3,147,604
Fixed assets	468,838	543,393	645,416	*18.8*	779,712	887,396
Investments	430,283	474,917	656,410	*38.2*	657,685	658,115
Intangible assets	42,437	39,697	39,697	*0*	39,697	39,697
Other non-current assets	102,329	118,209	86,838	*(26.5)*	86,838	86,838
Total assets	**4,394,500**	**5,104,672**	**5,753,355**	*12.7*	**6,871,896**	**7,642,511**
Short-term debt	555,107	835,648	858,424	*2.7*	851,449	849,507
Accounts payable	1,133,052	1,331,933	1,727,961	*29.7*	2,590,058	3,118,895
Other current liabs	398,982	438,475	401,560	*(8.4)*	413,006	417,680
Long-term debt/CBs	375,469	410,879	306,086	*(25.5)*	306,086	306,086
Provisions/other LT liabs	80,301	116,975	308,761	*164*	276,104	225,504
Shareholder funds	1,574,590	1,783,110	1,962,912	*10.1*	2,247,541	2,537,186
Minorities/other equity	276,998	187,653	187,653	*0*	187,653	187,653
Total liabs & equity	**4,394,500**	**5,104,672**	**5,753,355**	*12.7*	**6,871,896**	**7,642,511**
Ratio analysis	**2024A**	**2025A**	**2026SP**	***(% YoY)***	**2027SP**	**2028SP**
Revenue growth (% YoY)	11.3	18.1	29.5		48.9	20.2
Ebitda margin (%)	4.2	4.4	4.6		4.3	4.2
Ebit margin (%)	2.9	3.2	3.5		3.4	3.4
Net profit growth (%)	7.5	24.0	33.4		51.6	17.0
Op cashflow growth (% YoY)	(62.7)	36.6	(20.4)		(38.0)	166.7
Capex/sales (%)	2.0	2.1	2.2		1.6	1.3
Net debt/equity (%)	(0.4)	11.7	15.9		26.5	30.7
Net debt/Ebitda (x)	-	0.6	0.7		1.0	1.1
ROE (%)	9.9	11.3	13.5		18.2	18.7
ROIC (%)	12.7	11.4	14.0		16.9	16.4

Source: SinoPac

Figure 1

Results review

NT$m	2Q26	1Q26	QoQ	2Q25	YoY	2Q26SP	Diff w/ SP	2Q26Cons	Diff w/ Con
Sales	2,525,894	2,119,533	19%	1,793,468	41%	2,355,974	7%	2,403,855	5%
Gross profit	154,533	130,981	18%	113,529	36%	142,270	9%	145,313	6%
Opex	59,730	55,332	8%	56,933	5%	62,626	(5%)	65,156	(8%)
Operating profit	94,803	75,649	25%	56,596	68%	79,644	19%	80,157	18%
Non-OP	63	(1,617)	na	8,553	(99%)	6,385	(99%)	4,874	(99%)
Pretax profit	94,866	74,031	28%	65,149	46%	86,028	10%	85,031	12%
Tax expense	24,810	17,075	45%	15,613	59%	20,647	20%	21,428	16%
Net profit	59,974	49,919	20%	44,361	35%	59,659	1%	56,855	5%
EPS (NT$)	4.27	3.56	20%	3.19	34%	4.23	1%	4.13	3%
Margins									
Gross margin	6.1%	6.2%		6.3%		6.0%		6.0%	
Opex/sales	2.4%	2.6%		3.2%		2.7%		2.7%	
OP margin	3.8%	3.6%		3.2%		3.4%		3.3%	
Non-op/sales	0.0%	(0.1%)		0.5%		0.3%		0.2%	
Tax rate	26.2%	23.1%		24.0%		24.0%		25.2%	
Net margin	2.4%	2.4%		2.5%		2.5%		2.4%	

Source: SinoPac

Figure 2

Quarterly P&L

(NT$m)	1Q26	2Q26	3Q26SP	4Q26SP	1Q27SP	2Q27SP	3Q27SP	4Q27SP	2025	2026SP	2027SP	2028SP
Sales	2,119,533	2,525,894	2,769,050	3,077,101	3,193,413	3,778,642	4,323,864	4,323,864	8,103,105	10,491,579	15,619,783	18,776,482
Gross profit	130,981	154,533	160,328	179,592	175,819	208,111	223,694	223,694	498,161	625,434	831,318	968,515
Opex	55,332	59,730	66,242	74,510	63,632	68,690	76,179	85,687	238,938	255,814	294,187	338,315
Operating profit	75,649	94,803	94,086	105,082	112,187	139,421	147,516	138,008	259,223	369,620	537,132	630,200
Non-OP	(1,617)	63	1,922	1,922	1,922	1,922	1,922	1,922	34,222	2,289	7,687	7,687
Pretax profit	74,031	94,866	96,007	107,004	114,109	141,343	149,437	139,930	293,445	371,909	544,819	637,888
Net profit	49,919	59,974	66,341	76,415	78,850	100,938	103,262	99,929	189,354	252,650	382,978	448,194
EPS (NT$)	3.56	4.25	4.70	5.41	5.59	7.15	7.31	7.08	13.61	17.92	27.13	31.75
Growth												
Sales QoQ	(19%)	19%	10%	11%	4%	18%	14%	0%				
Sales YoY	29%	41%	34%	18%	51%	50%	56%	41%	18%	29%	49%	20%
EPS QoQ	10%	19%	11%	15%	3%	28%	2%	(3%)				
EPS YoY	17%	33%	13%	67%	57%	68%	56%	31%	24%	32%	51%	17%
Margin												
Gross margin	6.2%	6.1%	5.8%	5.8%	5.5%	5.5%	5.2%	5.2%	6.1%	6.0%	5.3%	5.2%
Opex	2.6%	2.4%	2.4%	2.4%	2.0%	1.8%	1.8%	2.0%	2.9%	2.4%	1.9%	1.8%
OP margin	3.6%	3.8%	3.4%	3.4%	3.5%	3.7%	3.4%	3.2%	3.2%	3.5%	3.4%	3.4%
Non-OP	(0.1%)	0.0%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.4%	0.0%	0.0%	0.0%
Net margin	2.4%	2.4%	2.4%	2.5%	2.5%	2.7%	2.4%	2.3%	2.3%	2.4%	2.5%	2.4%

Source: SinoPac

Figure 3

Forecast revisions

	2026SP			2027SP			2028SP		
(NT$m)	old	new	% ch	old	new	% ch	old	new	% ch
Revenue	9,969,686	10,491,579	5%	12,389,968	15,619,783	26%	13,717,831	18,776,482	37%
Gross profit	604,786	625,434	3%	722,069	831,318	15%	800,369	968,515	21%
Opex	265,108	255,814	(4%)	291,619	294,187	1%	320,781	338,315	5%
Operating profit	339,677	369,620	9%	430,450	537,132	25%	479,588	630,200	31%
Pretax profit	357,214	371,909	4%	455,988	544,819	19%	505,127	637,888	26%
Tax expense	85,039	90,608	7%	109,437	130,757	19%	121,230	153,093	26%
Net profit	247,883	252,650	2%	319,884	382,978	20%	354,300	448,194	27%
EPS (NT$)	17.58	17.92	2%	22.66	27.13	20%	25.10	31.75	27%
Margin									
Gross margin	6.1%	6.0%		5.8%	5.3%		5.8%	5.2%	
Operating margin	3.4%	3.5%		3.5%	3.4%		3.5%	3.4%	
Tax rate	23.8%	24.4%		24.0%	24.0%		24.0%	24.0%	
Net margin	2.5%	2.4%		2.6%	2.5%		2.6%	2.4%	

Source: SinoPac

Figure 4

Sales mix assumptions

Sales (NT$m)	2025	2026SP	2027SP	2028SP
Smart consumer	3,063,736	3,348,688	3,443,687	3,481,460
Cloud and Networking	3,279,888	5,390,369	10,738,128	13,580,123
Computing	1,230,787	1,235,141	1,219,199	1,193,446
Components and others	528,693	517,382	524,039	521,452
Total	8,103,105	10,491,579	15,619,783	18,776,482
YoY	**2025**	**2026SP**	**2027SP**	**2028SP**
Smart consumer	(4%)	9%	3%	1%
Cloud and Networking	63%	64%	99%	26%
Computing	(1%)	0%	(1%)	(2%)
Components and others	24%	(2%)	1%	0%
Total	18%	29%	49%	20%
Sales mix	**2025**	**2026SP**	**2027SP**	**2028SP**
Smart consumer	38%	32%	22%	19%
Cloud and Networking	40%	51%	69%	72%
Computing	15%	12%	8%	6%
Components and others	7%	5%	3%	3%
Total	100%	100%	100%	100%

Source: SinoPac

Figure 5

Target price change

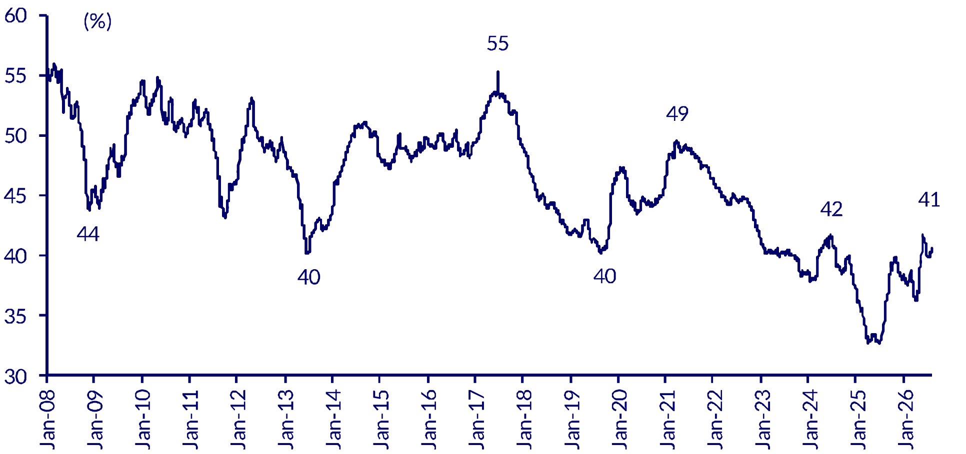
	Target PE (x)	Valuation period	EPS (NT$)	Target Price (NT$)
Old	14	2027SP	22.7	320
New	14	2027SP	27.1	375

Source: SinoPac

Foreign investors hold 41%

Figure 6

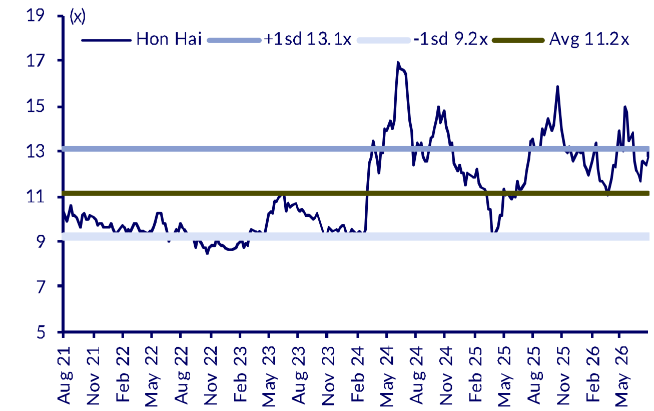
QFII holdings



Source: SinoPac

Figure 7

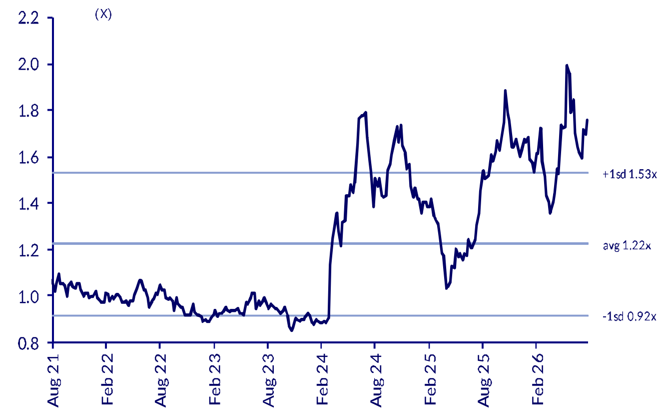
Forward PE



Source: SinoPac

Figure 8

Forward PB



Source: SinoPac

Investment thesis

We expect Hon Hai's vertical integration capability, liquid cooling offerings and strong balance sheet to help it gain share in AI servers, with NVL rack shipments ramping up in coming quarters. Increasing adoption of in-house components could also result in higher-than-expected margins for AI products next year. We believe Hon Hai will maintain its dominant position, allowing it to capture secular AI infrastructure and application opportunities in the future.

Catalysts

1) Rubin platform ramp-up from 2H26; 2) potential margin upside from rising in-house component sourcing; 3) market share gain due to its diversified production base.

Valuation details

We use PE as our valuation methodology as we believe the market will primarily focus on the earnings growth outlook, which is better reflected with PE metrics. We use a sum-of-the-parts valuation method to better reflect the intrinsic value across its different key businesses. The stock consistently traded between 9x (-1sd) and 11x (+1sd) in 2017-23, based on each phase of the industry cycle, before breaking out in 2024 due to its rising AI server exposure. We assign a PE multiple of 14x (9x to its non-AI business (smart consumer, computing, etc, and 18x to its cloud business (lower end of the sector average since 2023 when the AI rerating began).

Investment risks

Downside risks: 1) more production challenges affecting AI rack shipments; 2) design-in delay for future platforms causing shipment delays; 3) global consumer weakness weighing on IT sales.

evalu@tor The Global Equities Database

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Great
Solid
Meh

Detailed financials

Profit & Loss (NT$m)

Year to 31 December	2022A	2023A	2024A	2025A	2026SP	2027SP	2028SP
Revenue	**6,626,997**	**6,162,221**	**6,859,615**	**8,103,105**	**10,491,579**	**15,619,783**	**18,776,482**
Cogs (ex-D&A)	(6,150,451)	(5,689,868)	(6,342,788)	(7,507,191)	(9,753,409)	(14,657,281)	(17,656,753)
Gross Profit (ex-D&A)	**476,545**	**472,353**	**516,827**	**595,914**	**738,170**	**962,503**	**1,119,729**
Research & development costs	(114,258)	(110,020)	(115,772)	(121,705)	(126,820)	(147,093)	(169,157)
Selling & marketing expenses	(30,374)	(24,988)	(25,046)	(27,367)	(33,623)	(40,891)	(47,024)
Other SG&A	(81,665)	(86,411)	(87,521)	(89,866)	(95,371)	(106,203)	(122,133)
Other Op Expenses ex-D&A	-	-	-	-	0	0	-
Op Ebitda	**250,248**	**250,934**	**288,489**	**356,976**	**482,356**	**668,316**	**781,414**
Depreciation/amortisation	(76,460)	(84,406)	(87,882)	(97,753)	(112,736)	(131,184)	(151,214)
Op Ebit	**173,788**	**166,528**	**200,607**	**259,223**	**369,620**	**537,132**	**630,200**
Interest income	43,303	81,700	45,577	31,010	31,099	31,010	31,010
Interest expense	(34,736)	(65,543)	(36,795)	(38,096)	(39,603)	(38,096)	(38,096)
Net interest inc/(exp)	8,567	16,157	8,781	(7,087)	(8,504)	(7,087)	(7,087)
Associates/investments	6,770	(7,928)	(9,232)	31,200	10,887	8,000	8,000
Forex/other income	(5,830)	11,836	4,614	6,037	(4,362)	0	0
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	5,714	6,516	8,578	6,089	4,281	6,774	6,774
Asset revaluation/Exceptional items	(1,496)	(884)	(1,474)	(2,018)	(14)	-	-
Profit before tax	**187,511**	**192,224**	**211,875**	**293,445**	**371,909**	**544,819**	**637,888**
Taxation	(36,440)	(37,435)	(40,196)	(78,410)	(90,608)	(130,757)	(153,093)
Profit after tax	**151,072**	**154,789**	**171,679**	**215,034**	**281,301**	**414,062**	**484,795**
Preference dividends	-	-	-	-	-	-	-
Profit for period	**151,072**	**154,789**	**171,679**	**215,034**	**281,301**	**414,062**	**484,795**
Minority interest	(9,589)	(12,691)	(18,974)	(25,681)	(28,651)	(31,085)	(36,600)
Net profit	**141,483**	**142,098**	**152,705**	**189,354**	**252,650**	**382,978**	**448,194**
Extraordinaries/others	0	0	0	0	0	0	0
Profit avail to ordinary shares	141,483	142,098	152,705	189,354	252,650	382,978	448,194
Dividends	(79,026)	(80,722)	(83,134)	(106,731)	(100,173)	(126,325)	(191,489)
Retained profit	62,457	61,377	69,571	82,623	152,477	256,653	256,705
Adjusted profit	**141,483**	**142,098**	**152,705**	**189,354**	**252,650**	**382,978**	**448,194**
EPS (NT$)	10.2	10.3	11.0	13.5	17.9	27.1	31.7
Adj EPS [pre excep] (NT$)	10.2	10.3	11.0	13.5	17.9	27.1	31.7
Core EPS (NT$)	10.2	10.3	11.0	13.5	17.9	27.1	31.7
DPS (NT$)	5.3	5.4	5.8	7.2	9.0	13.6	15.9

Profit & loss ratios

Year to 31 December	2022A	2023A	2024A	2025A	2026SP	2027SP	2028SP
Growth (%)							
Revenue growth (% YoY)	10.6	(7.0)	11.3	18.1	29.5	48.9	20.2
Ebitda growth (% YoY)	11.5	0.3	15.0	23.7	35.1	38.6	16.9
Ebit growth (% YoY)	16.7	(4.2)	20.5	29.2	42.6	45.3	17.3
Net profit growth (%)	1.6	0.4	7.5	24.0	33.4	51.6	17.0
EPS growth (% YoY)	1.6	0.4	7.2	23.0	32.3	51.6	17.0
Adj EPS growth (% YoY)	1.6	0.4	7.2	23.0	32.3	51.6	17.0
DPS growth (% YoY)	1.9	1.9	7.4	24.1	24.4	51.4	17.0
Core EPS growth (% YoY)	1.6	0.4	7.2	23.0	32.3	51.6	17.0
Margins (%)							
Gross margin (%)	7.2	7.7	7.5	7.4	7.0	6.2	6.0
Ebitda margin (%)	3.8	4.1	4.2	4.4	4.6	4.3	4.2
Ebit margin (%)	2.6	2.7	2.9	3.2	3.5	3.4	3.4
Net profit margin (%)	2.1	2.3	2.2	2.3	2.4	2.5	2.4
Core profit margin	2.1	2.3	2.2	2.3	2.4	2.5	2.4
Op cashflow margin	1.7	7.2	2.4	2.8	1.7	0.7	1.6
Returns (%)							
ROE (%)	10.0	9.6	9.9	11.3	13.5	18.2	18.7
ROA (%)	3.5	3.3	3.9	4.0	5.1	6.5	6.6
ROIC (%)	13.0	12.1	12.7	11.4	14.0	16.9	16.4
ROCE (%)	12.0	11.4	12.5	13.0	15.9	19.3	19.0
Other key ratios (%)							
Effective tax rate (%)	19.4	19.5	19.0	26.7	24.4	24.0	24.0
Ebitda/net int exp (x)	-	-	-	50.4	56.7	94.3	110.3
Exceptional or extraord. inc/PBT (%)	-	-	-	-	-	-	-
Dividend payout (%)	51.9	52.7	52.8	53.2	50.1	50.0	50.0

Source: SinoPac

evalu@tor The Global Equities Database

Balance sheet (NT$m)

Year to 31 December	2022A	2023A	2024A	2025A	2026SP	2027SP	2028SP
Cash & equivalents	1,062,326	1,197,663	937,108	1,016,440	822,700	512,715	319,330
Accounts receivable	1,156,412	936,825	1,197,965	1,234,268	1,498,797	2,082,638	2,503,531
Inventories	939,022	730,765	835,016	1,095,574	1,421,325	2,130,438	2,565,430
Other current assets	25,465	154,303	380,524	582,174	582,174	582,174	582,174
Current assets	**3,183,225**	**3,019,557**	**3,350,613**	**3,928,456**	**4,324,995**	**5,307,965**	**5,970,464**
Fixed assets	362,405	393,967	468,838	543,393	645,416	779,712	887,396
Investments	456,586	413,798	430,283	474,917	656,410	657,685	658,115
Goodwill	0	0	0	0	0	0	0
Other intangible assets	46,660	39,601	42,437	39,697	39,697	39,697	39,697
Other non-current assets	85,098	72,866	102,329	118,209	86,838	86,838	86,838
Total assets	**4,133,974**	**3,939,789**	**4,394,500**	**5,104,672**	**5,753,355**	**6,871,896**	**7,642,511**
Short term loans/OD	615,703	587,665	555,107	835,648	858,424	851,449	849,507
Accounts payable	1,068,941	893,119	1,133,052	1,331,933	1,727,961	2,590,058	3,118,895
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	0	0	0	0	0	0	0
Other current liabs	397,678	367,222	398,982	438,475	401,560	413,006	417,680
Current liabilities	**2,082,322**	**1,848,006**	**2,087,142**	**2,606,055**	**2,987,944**	**3,854,512**	**4,386,081**
Long-term debt/leases/other	332,509	332,954	375,469	410,879	306,086	306,086	306,086
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	68,612	72,586	80,301	116,975	308,761	276,104	225,504
Total liabilities	**2,483,443**	**2,253,545**	**2,542,911**	**3,133,909**	**3,602,791**	**4,436,702**	**4,917,671**
Share capital	138,630	138,630	138,907	139,642	141,180	141,180	141,180
Retained earnings	925,890	987,704	1,024,330	1,187,661	1,340,659	1,586,990	1,831,817
Reserves/others	378,688	397,858	411,352	455,807	481,072	519,370	564,189
Shareholder funds	**1,443,208**	**1,524,192**	**1,574,590**	**1,783,110**	**1,962,912**	**2,247,541**	**2,537,186**
Minorities/other equity	207,323	162,052	276,998	187,653	187,653	187,653	187,653
Total equity	**1,650,531**	**1,686,244**	**1,851,588**	**1,970,763**	**2,150,565**	**2,435,194**	**2,724,839**
Total liabs & equity	**4,133,974**	**3,939,789**	**4,394,500**	**5,104,672**	**5,753,355**	**6,871,896**	**7,642,511**
Total debt	948,212	920,618	930,575	1,246,526	1,164,509	1,157,535	1,155,592
Net debt	(114,115)	(277,044)	(6,533)	230,087	341,810	644,819	836,263
Adjusted EV	3,328,106	3,159,884	3,504,044	3,623,458	3,604,415	3,897,426	4,087,661
BVPS (NT$)	104.1	109.9	113.3	127.3	139.0	159.2	179.7

Balance sheet ratios

Year to 31 December	2022A	2023A	2024A	2025A	2026SP	2027SP	2028SP
Key ratios							
Current ratio (x)	1.5	1.6	1.6	1.5	1.4	1.4	1.4
Growth in total assets (% YoY)	5.8	(4.7)	11.5	16.2	12.7	19.4	11.2
Growth in capital employed (% YoY)	10.1	(8.3)	30.7	19.1	14.9	23.6	15.6
Net debt to operating cashflow (x)	-	-	-	1.0	1.9	5.8	2.8
Gross debt to operating cashflow (x)	8.6	2.1	5.6	5.5	6.4	10.3	3.9
Gross debt to Ebitda (x)	3.8	3.7	3.2	3.5	2.4	1.7	1.5
Net debt/Ebitda (x)	-	-	-	0.6	0.7	1.0	1.1
Gearing							
Net debt/equity (%)	(6.9)	(16.4)	(0.4)	11.7	15.9	26.5	30.7
Gross debt/equity (%)	57.4	54.6	50.3	63.3	54.1	47.5	42.4
Interest cover (x)	6.2	3.8	6.7	7.6	10.1	14.9	17.4
Debt cover (x)	0.1	0.5	0.2	0.2	0.2	0.1	0.3
Net cash per share (NT$)	8.2	20.0	0.5	(16.4)	(24.2)	(45.7)	(59.2)
Working capital analysis							
Inventory days	47.2	52.8	44.4	46.3	46.6	43.8	48.1
Debtor days	65.5	62.0	56.8	54.8	47.5	41.8	44.6
Creditor days	62.9	62.0	57.5	59.2	56.6	53.3	58.5
Working capital/Sales (%)	9.9	9.1	12.9	14.1	13.1	11.5	11.3
Capital employed analysis							
Sales/Capital employed (%)	436.2	442.4	376.9	373.8	421.3	507.5	527.6
EV/Capital employed (%)	219.1	226.9	192.5	167.2	144.7	126.6	114.9
Working capital/Capital employed (%)	43.1	40.3	48.4	52.7	55.1	58.2	59.4
Fixed capital/Capital employed (%)	23.9	28.3	25.8	25.1	25.9	25.3	24.9
Other ratios (%)							
PB (x)	2.6	2.5	2.4	2.1	1.9	1.7	1.5
EV/Ebitda (x)	13.3	12.6	12.1	10.2	7.5	5.8	5.2
EV/OCF (x)	30.3	7.1	21.1	16.0	20.0	34.8	13.7
EV/FCF (x)	282.7	9.5	118.0	68.3	(73.0)	(28.3)	83.6
EV/Sales (x)	0.5	0.5	0.5	0.4	0.3	0.2	0.2
Capex/depreciation (%)	138.7	142.0	161.7	184.5	212.6	200.9	174.7

Source: SinoPac

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The Global Equities Database

Cashflow (NT$m)

Year to 31 December	2022A	2023A	2024A	2025A	2026SP	2027SP	2028SP
Operating profit	173,788	166,528	200,607	259,223	369,620	537,132	630,200
Operating adjustments	(22,716)	(11,739)	(28,928)	(44,188)	(88,319)	(123,069)	(145,406)
Depreciation/amortisation	76,460	84,406	87,882	97,753	112,736	131,184	151,214
Working capital changes	(113,418)	223,608	(102,348)	(66,721)	(199,795)	(419,411)	(322,374)
Interest paid / other financial expenses	(3,394)	16,939	9,778	(30,236)	(9,893)	(8,000)	(8,000)
Tax paid	-	-	-	-	-	-	-
Other non-cash operating items	(1,012)	(34,189)	(961)	11,022	(3,746)	(5,777)	(6,730)
Net operating cashflow	109,708	445,553	166,029	226,852	180,603	112,058	298,904
Capital expenditure	(97,935)	(111,745)	(136,339)	(173,763)	(230,000)	(250,000)	(250,000)
Free cashflow	11,773	333,808	29,690	53,089	(49,397)	(137,942)	48,904
Acq/inv/disposals	(15,407)	(108,777)	(219,450)	(189,029)	-	-	-
Int, invt & associate div	67,902	82,647	55,743	58,103	-	-	-
Net investing cashflow	(45,440)	(137,874)	(300,046)	(304,689)	(230,000)	(250,000)	(250,000)
Increase in loans	38,469	(16,342)	(7,143)	317,976	500	500	500
Dividends	(79,026)	(80,722)	(83,134)	(106,731)	(100,173)	(126,325)	(191,489)
Net equity raised/others	(47,315)	(63,575)	(73,795)	(41,298)	(51,111)	(55,419)	(57,039)
Net financing cashflow	(87,872)	(160,638)	(164,072)	169,947	(150,783)	(181,244)	(248,028)
Incr/(decr) in net cash	(23,603)	147,040	(298,089)	92,110	(200,180)	(319,186)	(199,124)
Exch rate movements	26,512	(11,704)	37,534	(12,778)	6,440	9,201	5,739
Opening cash	1,059,417	1,062,326	1,197,663	937,108	1,016,440	822,700	512,715
Closing cash	1,062,326	1,197,663	937,108	1,016,440	822,700	512,715	319,330
OCF PS (NT$)	7.9	32.1	12.0	16.2	12.8	7.9	21.2
FCF PS (NT$)	0.8	24.1	2.1	3.8	(3.5)	(9.8)	3.5

Cashflow ratio analysis

Year to 31 December	2022A	2023A	2024A	2025A	2026SP	2027SP	2028SP
Growth (%)							
Op cashflow growth (% YoY)	nm	306.1	(62.7)	36.6	(20.4)	(38.0)	166.7
FCF growth (% YoY)	-	2,735.3	(91.1)	78.8	(193.0)	-	-
Capex growth (%)	6.1	14.1	22.0	27.4	32.4	8.7	0.0
Other key ratios (%)							
Capex/sales (%)	1.5	1.8	2.0	2.1	2.2	1.6	1.3
Capex/op cashflow (%)	89.3	25.1	82.1	76.6	127.4	223.1	83.6
Operating cashflow payout ratio (%)	67.0	16.8	48.5	44.4	70.0	170.9	75.0
Cashflow payout ratio (%)	72.0	18.1	50.1	47.0	55.5	112.7	64.1
Free cashflow payout ratio (%)	671.2	24.2	280.0	201.0	-	-	391.6

DuPont analysis

Year to 31 December	2022A	2023A	2024A	2025A	2026SP	2027SP	2028SP
Ebit margin (%)	2.6	2.7	2.9	3.2	3.5	3.4	3.4
Asset turnover (x)	1.6	1.5	1.6	1.7	1.9	2.5	2.6
Interest burden (x)	1.1	1.2	1.1	1.1	1.0	1.0	1.0
Tax burden (x)	0.8	0.8	0.8	0.7	0.8	0.8	0.8
Return on assets (%)	3.5	3.3	3.9	4.0	5.1	6.5	6.6
Leverage (x)	2.5	2.4	2.4	2.5	2.6	2.8	2.8
ROE (%)	10.0	9.6	9.9	11.3	13.5	18.2	18.7

EVA® analysis

Year to 31 December	2022A	2023A	2024A	2025A	2026SP	2027SP	2028SP
Ebit adj for tax	140,015	134,098	162,549	189,957	279,570	408,220	478,952
Average invested capital	1,079,569	1,108,214	1,281,530	1,668,991	1,993,817	2,421,579	2,913,462
ROIC (%)	13.0	12.1	12.7	11.4	14.0	16.9	16.4
Cost of equity (%)	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Cost of debt (adj for tax)	2.1	2.1	2.1	1.9	2.0	2.0	2.0
Weighted average cost of capital (%)	5.8	5.8	5.8	5.8	5.8	5.8	5.8
EVA/IC (%)	7.1	6.3	6.9	5.6	8.2	11.1	10.6
EVA (NT$m)	77,152	69,570	87,883	93,659	164,187	268,019	310,273

Source: SinoPac

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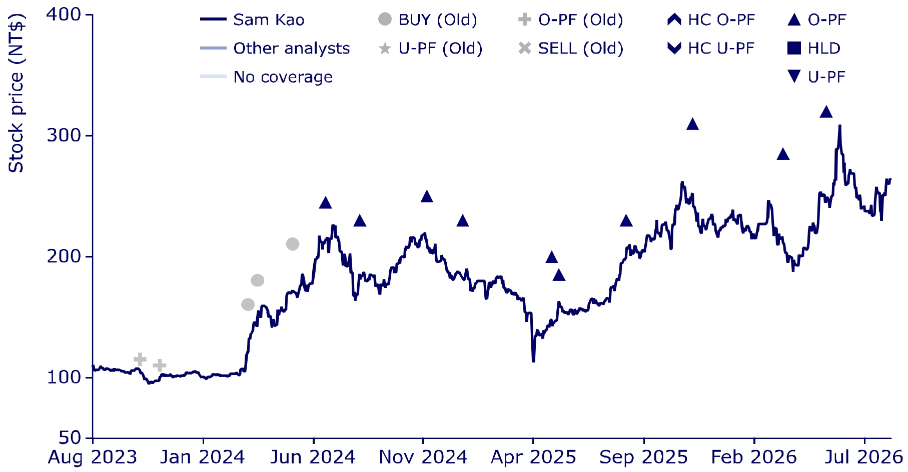

Date	Rec	Target	Date	Rec	Target
LATEST	O-PF	375.00	14 Aug 2024	O-PF	230.00
15 May 2026	O-PF	320.00	28 Jun 2024	O-PF	245.00
17 Mar 2026	O-PF	285.00	24 Jun 2024	BUY	245.00
13 Nov 2025	O-PF	310.00	14 May 2024	BUY	210.00
14 Aug 2025	O-PF	230.00	27 Mar 2024	BUY	180.00
14 May 2025	O-PF	185.00	14 Mar 2024	BUY	160.00
04 May 2025	O-PF	200.00	14 Nov 2023	O-PF	110.00
02 Jan 2025	O-PF	230.00	18 Oct 2023	O-PF	115.00
14 Nov 2024	O-PF	250.00			

Note: At 6pm (HKT) on 28 June 2024, we changed our ratings to Outperform (O-PF), Hold (HLD) and Underperform (U-PF); and on 16 December 2024, we added the ratings: High-Conviction Outperform (HC O-PF) and High-Conviction Underperform (HC U-PF). Please see Key to CLSA/SinoPac investment rankings below for details. Source: CLSA, SinoPac

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