30 Oct 2026 13:07:05 ET | 13 pages

Hon Hai Precision (2317.TW)

Hon Hai Tech Day 2026 - Moving up the AI infrastructure value chain

CITI'S TAKE

At Hon Hai Tech Day 2026, it highlighted its transformation from a traditional EMS provider into an end-to-end AI infrastructure and technology manufacturing platform. Its partnership with NVIDIA has expanded beyond GPU server assembly into complete Vera Rubin rack-scale systems, networking, power delivery, cooling and AI factory deployment. The company demonstrated vertical integration spanning L1 – L3 precision components, L5 mechanical assemblies, L6 PCB and power modules, L10 compute and switch trays, L11 rack integration and L12 SuperPOD/data hall deployment. Hon Hai emphasized its global manufacturing footprint and co-development capabilities. We believe the strategic significance lies in expanding Hon Hai's addressable market beyond server assembly toward higher-value system integration, infrastructure engineering and deployment services, potentially increasing content per AI project and strengthening customer relationships.

Buy

Price (30 Oct 26 13:30)	NT$245.50
Target price	NT$400.00
Expected share price return	62.9%
Expected dividend yield	4.2%
Expected total return	67.1%
Market Cap	NT$3,455,596M US$105,977M

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- **Hon Hai's partnership with NVIDIA is extending across GPU, CPUs, LPU, DPUs, networking and integrated compute systems.** Management highlighted more than ten dedicated manufacturing facilities supporting Vera Rubin production, underscoring the scale of its preparation. A notable engineering breakthrough is the redesign of compute trays to eliminate conventional cables, liquid-cooling hoses and fans, simplifying assembly, improving reliability and enabling greater automation. Hon Hai also showcased its work on robotic assembly, leveraging Omniverse digital twins, computer vision and physical AI models to automate complex operations previously requiring manual precision. These include busbar installation and high-density connector insertion. We believe deeper design-for-manufacturing and design-for-automation capabilities should help Hon Hai accelerate production ramps, improve manufacturing yields and as AI systems become increasingly complex. We also believe this will be the core competence for Hon Hai to secure next-generation rack-scale systems, where manufacturing complexity and system-level validation increasingly differentiate suppliers.

- **NVIDIA DSX POD, a factory-integrated, pre-validated modular AI infrastructure solution, provided by Hon Hai.** Each POD contains seven Vera Rubin NVL72 and three Spectrum-6 SPX racks, and incorporating more than 10 million components. By completing rack integration, cabling, liquid-cooling connections and functional testing before shipment, the solution aims to reduce onsite deployment from approximately six months to as little as 14 days. **NVIDIA expects its partner ecosystem to deliver these solutions beginning in early 2027.** Hon Hai is also collaborating with

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

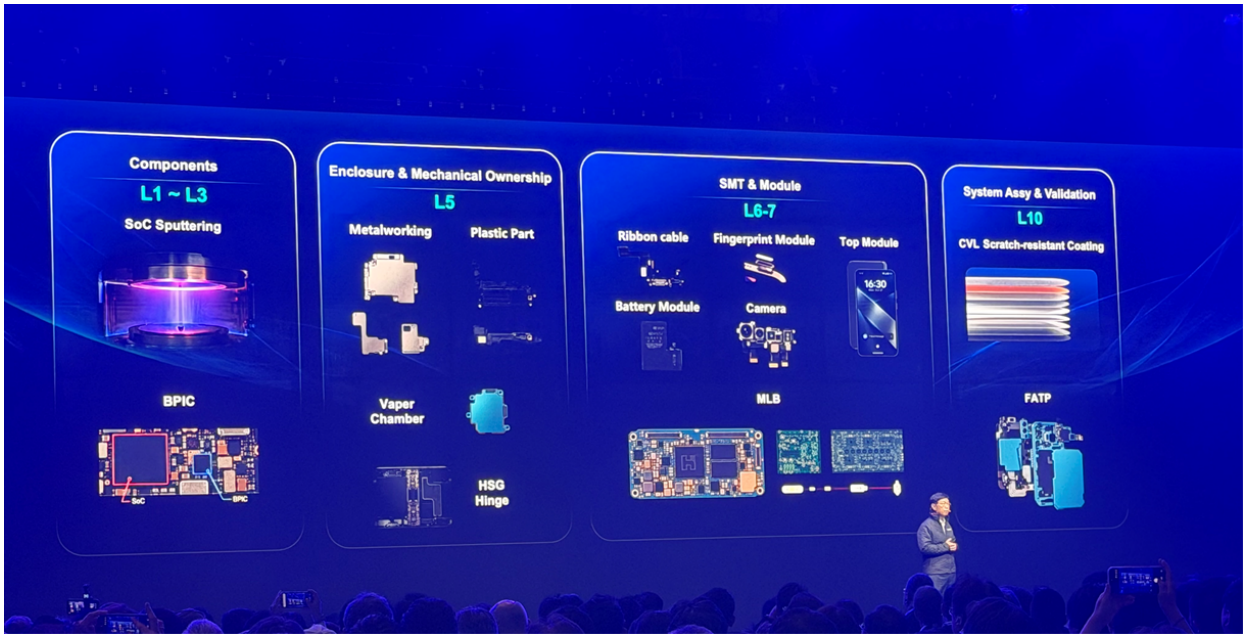
TECO on modular data centers that integrate IT systems, power distribution and cooling within 40-foot containers, with more than 80% of modular assembly completed at the factory. We believe this model could meaningfully expand Hon Hai's revenue opportunity beyond rack assembly into fully integrated infrastructure, while accelerating time to first revenue-generating AI tokens.

- Hon Hai highlighted its expanding role in next-generation AI networking, including NVIDIA's Spectrum-6 SN6800 CPO switch, delivering 409.6Tbps aggregate bandwidth through 512 ports at 800Gbps. Hon Hai showcased capabilities spanning CPO optical components, ELSFP modules, high-speed connectivity and complete switch-tray integration, positioning itself to capture additional networking content as optical interconnect adoption accelerates. **Next, we expect the scale-up CPO with NVL576 to be announced with VRU next year; Hon Hai will remain the sole supplier, and in our view, its first-mover advantage will be supported for further revenue and earnings upside.**

- Other than VR200 system, **Hon Hai also demonstrated Nvidia's LPUs, integrated into its Vera Rubin ecosystem through LPX inference racks containing 256 LPUs.** Unlike GPUs optimized for parallel computation, LPUs accelerate latency-sensitive token generation, particularly feed-forward and mixture-of-experts execution, complementing Rubin GPUs handling prefill and attention workloads. We believe the heterogeneous GPU-LPU computing could expand Hon Hai's addressable market in AI infrastructure integration.

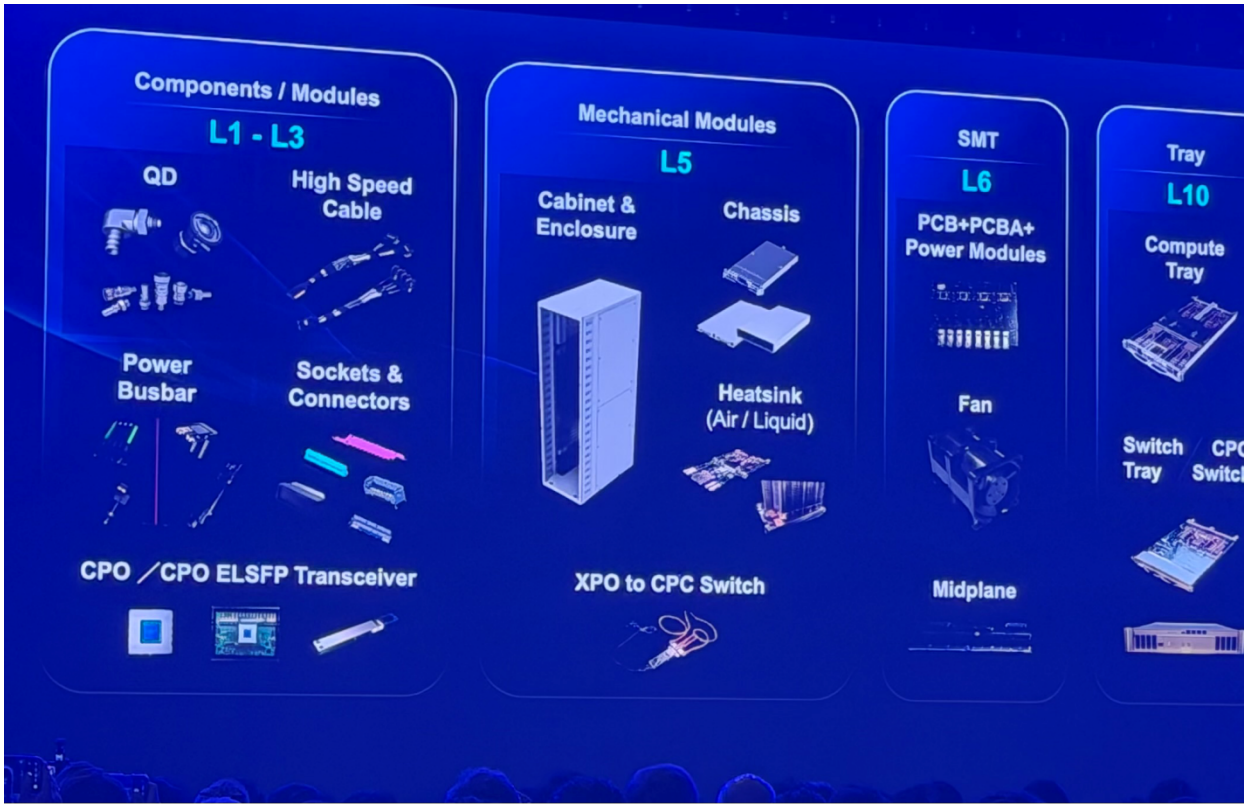
- Beyond AI Data Centers: Hon Hai highlighted progress in EV, autonomous mobility, robotics and smart healthcare. **In EVs,** it introduced the affordable Model A multi-purpose vehicle, targeting Japan and Southeast Asia. Its CDMS strategy focuses on shortening development cycles and improving cost competitiveness. **In robotics**, Hon Hai demonstrated physical AI, humanoid robots and digital-twin-enabled manufacturing automation, supported by its collaboration with NVIDIA and ABB Robotics. The company also showcased emerging capabilities in **SiC semiconductors, low-Earth-orbit satellites** and FoxBrain AI models. We believe these initiatives reinforce Hon Hai's longer-term transformation into a diversified technology manufacturing platform.

Figure 1. Hon Hai's strong vertical integration capability - 1



Source: Company Reports

Figure 2. Hon Hai's strong vertical integration capability - 2



Source: Company Reports

Figure 3. Nvidia's newly announced DSX POD provided by Hon Hai - 1



Source: Company Reports

Figure 4. Nvidia's newly announced DSX POD provided by Hon Hai - 2



Source: Company Reports

Hon Hai Precision

Valuation

Our target price of NT$400 is based on 18x average 2026E-27E EPS, which is at the higher end of the historical trading range. We believe this multiple is justified by the company's enhanced sales growth and profit margin outlook, as well as new endeavors into AI server, EV, digital health and robotics. Hon Hai has been able to generate positive earnings streams, and thus we believe a P/E valuation methodology is appropriate.

Risks

Downside risks that could impede the stock from reaching our target price include: 1) slower-than-expected iPhone demand; 2) intensified peer competition; 3) weaker-than-expected execution on new business progress; and 4) higher-than-expected impact of COVID-19 or other macro factors.

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Appendix A-1

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Hon Hai Precision (2317.TW)

Ratings and Target Price History
Fundamental Research

Analyst: Laura (Chia Yi) Chen



	Date	Rating	Target Price	Closing Price
1	14-Mar-24 18:14:10	1	*166.00	121.00
2	14-May-24 10:12:01	1	*207.00	172.00
3	23-Jun-24 17:55:18	1	*255.00	212.00
4	14-Aug-24 09:06:07	1	*250.00	185.50
5	14-Nov-24 09:52:36	1	*260.00	211.50
6	14-May-25 08:26:47	1	*220.00	163.00
7	14-Aug-25 11:01:46	1	*250.00	199.50
8	06-Oct-25 08:33:44	1	*285.00	226.50
9	12-Nov-25 13:13:30	1	*320.00	251.00
10	14-May-26 11:56:31	1	*360.00	244.50
11	12-Aug-26 11:00:08	1	*400.00	270.00

*Indicates Change

Rating/target price changes above reflect Eastern Time

Hon Hai Precision (2317.TW)

Short-Term View/Catalyst Watch Research

Analyst: Laura (Chia Yi) Chen



	Date	Action	Expected Direction	Duration	Closing Price
1	14-Aug-24 05:06:07	Add STV	Upside	30 Days	185.50
2	13-Sep-24 14:18:39	Remove STV	Upside	30 Days	176.00
3	08-Oct-24 08:12:52	Add STV	Upside	90 Days	194.00
4	06-Jan-25 19:58:13	Remove STV	Upside	90 Days	184.50
5	10-Feb-25 01:21:07	Add STV	Upside	90 Days	174.00
6	17-Apr-25 07:55:20	Remove STV	Upside	90 Days	134.50
7	05-May-25 02:10:47	Add STV	Upside	30 Days	142.50
8	04-Jun-25 21:54:31	Remove STV	Upside	30 Days	156.00
9	05-Jun-25 06:40:07	Add STV	Downside	30 Days	155.50
10	04-Jul-25 14:23:13	Remove STV	Downside	30 Days	161.00
11	06-Jul-25 14:10:54	Add STV	Upside	30 Days	161.00
12	05-Aug-25 21:47:06	Remove STV	Upside	30 Days	184.50
13	14-Aug-25 07:01:46	Add STV	Upside	90 Days	199.50
14	12-Nov-25 19:59:24	Remove STV	Upside	90 Days	251.00
15	23-Nov-25 14:57:51	Add STV	Upside	30 Days	225.00
16	23-Dec-25 19:51:51	Remove STV	Upside	30 Days	224.00
17	05-Jan-26 01:27:04	Add STV	Upside	30 Days	234.50
18	04-Feb-26 19:57:48	Remove STV	Upside	30 Days	219.00

CW - Catalyst Watch , STV - Short-Term View

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Data current as of 01 Oct 2026	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
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