Hon Hai (2317.TW): AI server continuous ramp-up ahead across GPU/ ASIC; 2Q26 OP beat; Buy (on CL)

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3Q26 revenues outlook: The company expects **(1) YoY growth in Cloud and Networking revenues,** driven by strong GPU/ ASIC AI servers and AI switch; **(2) YoY increase in Consumer electronics**, riding on the specification upgrade of new products; **(3) YoY increase in PCs** on AI products upgrade; and **(4) YoY increase in Components** and others. Management maintain 3Q guidance and expect to see both QoQ and YoY revenues growth in 3Q26. **We maintain our positive view on Hon Hai,** driven by AI servers, foldable phones, and EV outsourcing. With vertical integration of systems and components, coupled with global production capabilities, we expect Hon Hai to leverage its scale advantages into long-term order and market share sustainability. Maintain Buy (on CL). Read more: FII 2Q result.

2Q26 beat: GM remained at 6.1% in 2Q26 (vs. 6.3%/ 6.2% in 2Q25/ 1Q26), higher than our and Bloomberg consensus estimates at 5.7%/ 6.0%, reflecting mix upgrade and cost management. Opex ratio was down to 2.4% in 2Q26 (vs. 3.2%/ 2.6% in 2Q25/ 1Q26), resulting in OP beating our and Bloomberg estimates by 36%/ 18%, driven by the company's improving operational efficiency. 2Q26 NI was up 35% YoY to NT$60bn, or 15%/ 8% higher than our estimates and consensus.

Exhibit 1: Hon Hai 2Q26 result snapshot

NT m	2Q25	1Q26	2Q26	QoQ	YoY	GS	Act/GS	Cons.	Act/Cons.
Revenues	1,793,468	2,119,533	2,525,894	19%	41%	2,513,270	1%	2,470,000	2%
GP	113,529	130,981	154,533	18%	36%	142,479	8%	148,200	4%
OP	56,596	75,649	94,803	25%	68%	69,845	36%	80,534	18%
Net income	44,361	49,919	59,974	20%	35%	51,961	15%	55,439	8%
Margins									
GM	6.3%	6.2%	6.1%	-0.1ppt	-0.2ppt	5.7%	0.4ppt	6.0%	0.1ppt
OPM	3.2%	3.6%	3.8%	0.2ppt	0.6ppt	2.8%	1ppt	3.3%	0.5ppt
NM	2.5%	2.4%	2.4%	0ppt	-0.1ppt	2.1%	0.3ppt	2.2%	0.1ppt

Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

Key takeaways from earnings call

- **2026E outlook:** Hon Hai expects YoY revenue growth in 2026, and management highlighted the improving visibility, supported by YoY growth in Cloud & Networking as well as Consumer electronics. PC will see YoY decline, per management, and Components & Others will be flat YoY.
- **AI servers ramp-up:** Management expects AI server rack shipment to grow high double-digit QoQ in 3Q26, and strong shipment growth of AI server rack in 2026, supported by strong demand and market share gain.
- **EV business progress:** The company expects the delivery of the Model B in AUS and NZ by end of 2026, and the delivery of CAVIRA in Taiwan has begun from

July 2026.

Exhibit 2: Hon Hai monthly/ quarterly revenues

	May 2026	June 2026	July 2026	Aug 2026E	Sep 2026E	Oct 2026E	2Q26	3Q26E
Revenues (NT$m)	859,409	821,763	946,513	1,031,699	1,059,769	1,112,757	2,525,894	3,037,980
YoY	40%	52%	54%	70%	27%	24%	41%	48%
MoM/QoQ	3%	-4%	15%	9%	3%	5%	19%	20%
GS estimates (NT$m)	815,456	695,162	928,592				2,386,670	
Actual vs. GS	5%	18%	2%				6%	

Source: Company data, Goldman Sachs Global Investment Research

Earnings revision: We factor in the 2Q26 earnings and revise up 2026E earnings by 1% on higher-than-expected GM and lower-than-expected Opex ratio, while non-OP is lower than expected. We keep 2027/ 28E earnings largely unchanged.

Exhibit 3: Earnings revision

NTD m	2026E Old	2026E New	2026E Chg	2027E Old	2027E New	2027E Chg	2028E Old	2028E New	2028E Chg
Revenues	11,099,298	11,068,297	0%	14,000,932	14,028,433	0%	18,055,832	18,122,500	0%
GP	649,990	658,118	1%	740,165	740,692	0%	816,946	820,946	0%
OP	365,019	381,329	4%	414,056	413,913	0%	465,760	468,463	1%
Net income	270,555	273,483	1%	316,262	317,239	0%	356,326	356,795	0%
EPS (diluted, NT$)	19.10	19.26	1%	22.40	22.35	0%	25.23	25.13	0%
Margins									
GM	5.9%	5.9%		5.3%	5.3%		4.5%	4.5%	
OPM	3.3%	3.4%		3.0%	3.0%		2.6%	2.6%	
NM	2.4%	2.5%		2.3%	2.3%		2.0%	2.0%	

Source: Company data, Goldman Sachs Global Investment Research

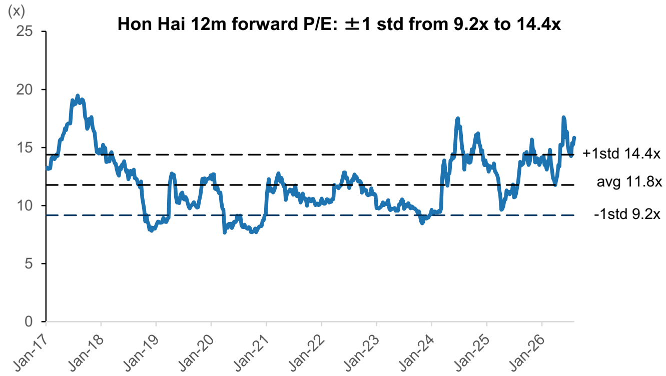
Valuation: Our 12m TP for **Hon Hai is unchanged at NT$400 and remains based on a P/E.** Our target 2027E P/E multiple of 18.9x is derived from a peers' average ratio of trading P/E to forward year NI YoY growth and OPM (P/E divided by the sum of NI YoY and OPM). Our target P/E of 18.9x is in the range of company's historical forward P/E since 2010, reflecting our positive view on Hon Hai's business expansion from the competitive consumer electronics market to AI servers and EVs outsourcing, which should drive profit expansion with diversifying business opportunities for Hon Hai. **Maintain Buy (on CL).**

Exhibit 4: Hon Hai P&L summary

Hon Hai (2317.TW)	2022	2023	2024	2025	2026E	2027E	2028E	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E
NTD bn															
P&L															
Revenue	**6,627**	**6,162**	**6,860**	**8,103**	**11,068**	**14,028**	**18,122**	**1,644**	**1,793**	**2,059**	**2,606**	**2,120**	**2,526**	**3,038**	**3,385**
COGS	(6,227)	(5,774)	(6,431)	(7,605)	(10,410)	(13,288)	(17,302)	(1,544)	(1,680)	(1,928)	(2,453)	(1,989)	(2,371)	(2,857)	(3,194)
Gross profit	**400**	**388**	**429**	**498**	**658**	**741**	**821**	**101**	**114**	**131**	**153**	**131**	**155**	**181**	**191**
Operating expense	(226)	(221)	(228)	(239)	(277)	(327)	(352)	(54)	(57)	(60)	(68)	(55)	(60)	(76)	(85)
EBITDA	**250**	**251**	**288**	**347**	**483**	**536**	**592**	**70**	**80**	**95**	**111**	**102**	**122**	**132**	**127**
D&A	(76)	(84)	(88)	(88)	(102)	(122)	(124)	(24)	(23)	(25)	(26)	(27)	(27)	(27)	(21)
EBIT	**174**	**167**	**201**	**259**	**381**	**414**	**468**	**46**	**57**	**71**	**86**	**76**	**95**	**105**	**106**
Net interest income/(expense)	9	16	9	(7)	(4)	11	11	1	(1)	(3)	(4)	(3)	(3)	(3)	6
Disposal of assets (pre-tax)	4	15	2	7	1	0	0	0	1	6	0	1	0	0	0
Others	1	(5)	1	34	14	17	13	12	9	13	0	0	3	6	6
Pretax profit	**188**	**192**	**212**	**293**	**393**	**442**	**492**	**59**	**65**	**87**	**82**	**74**	**95**	**107**	**117**
Income tax	(36)	(37)	(40)	(78)	(84)	(93)	(103)	(13)	(16)	(21)	(29)	(17)	(22)	(21)	(23)
Minorities	(10)	(13)	(19)	(26)	(36)	(32)	(32)	(4)	(5)	(8)	(8)	(7)	(13)	(8)	(8)
Net income	**141**	**142**	**153**	**189**	**273**	**317**	**357**	**42**	**44**	**58**	**45**	**50**	**60**	**78**	**86**
EPS (NTD)	10.04	10.07	10.79	13.43	19.26	22.35	25.13	2.98	3.16	4.08	3.20	3.52	4.22	5.47	6.05
DPS (NTD)	5.22	5.31	5.70	7.15	10.25	11.89	13.38								
Dividend payout ratio	52%	53%	53%	53%	53%	53%	53%								
YoY% growth & margins															
Revenue growth	11%	-7%	11%	18%	37%	27%	29%	24%	16%	11%	22%	29%	41%	48%	30%
EBITDA growth	11%	0%	15%	20%	39%	11%	11%	23%	25%	25%	22%	46%	52%	38%	14%
EBIT growth	17%	-4%	20%	29%	47%	9%	13%	27%	27%	29%	33%	63%	68%	49%	24%
Net income growth	2%	0%	7%	24%	44%	16%	12%	91%	27%	17%	-2%	19%	35%	35%	90%
EPS growth	1%	0%	7%	24%	43%	16%	12%	90%	26%	16%	0%	18%	34%	34%	89%
Gross margin	6.0%	6.3%	6.3%	6.1%	5.9%	5.3%	4.5%	6.1%	6.3%	6.4%	5.9%	6.2%	6.1%	6.0%	5.7%
EBITDA margin	3.8%	4.1%	4.2%	4.3%	4.4%	3.8%	3.3%	4.3%	4.5%	4.6%	4.3%	4.8%	4.8%	4.3%	3.8%
EBIT margin	2.6%	2.7%	2.9%	3.2%	3.4%	3.0%	2.6%	2.8%	3.2%	3.4%	3.3%	3.6%	3.8%	3.4%	3.1%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 5: Hon Hai 12M forward P/E



Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology – Hon Hai

Valuation methodology: We are Buy rated on Hon Hai. Our 12-month target price of **NT$400** is based on a **18.9x 2027E P/E** multiple, which is set in line with peers' PEG&M ratio (i.e., P/E vs. forward-year earnings growth and OPM).

Key downside risks: (1) slower-than-expected ramp-up of the AI server business; (2) weaker-than-expected EV total solution performance across EV assembly, design, software, and semis; (3) slower-than-expected ramp-up of capacity globally; and (4) fiercer-than-expected competition in the consumer electronics EMS business.

2317.TW	12m Price Target: **NT$400.00**	Price: **NT$270.00**	Upside: **48.1%**

Buy CL

Market cap: NT$3.8tr / $118.7bn
Enterprise value: NT$3.8tr / $117.9bn
3m ADTV: NT$18.7bn / $588.0mn
Taiwan
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	**12/26E**	**12/27E**	**12/28E**
Revenue (NT$ mn) New	**8,103,104.8**	**11,068,297.0**	**14,028,432.8**	**18,122,499.6**
Revenue (NT$ mn) Old	8,103,104.8	11,099,298.1	14,000,931.9	18,055,832.2
EBITDA (NT$ mn)	347,220.9	482,870.9	535,577.1	592,423.6
EPS (NT$) New	**13.41**	**19.26**	**22.35**	**25.13**
EPS (NT$) Old	13.41	19.10	22.40	25.23
P/E (X)	13.9	14.0	12.1	10.7
P/B (X)	1.5	2.0	1.9	1.7
Dividend yield (%)	3.8	3.8	4.4	5.0
CROCI (%)	14.3	16.7	17.8	16.6

	6/26	**9/26E**	**12/26E**	**3/27E**
EPS (NT$)	4.22	5.47	6.05	4.76

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 12 Aug 2026 close.

Disclosure Appendix

Reg AC

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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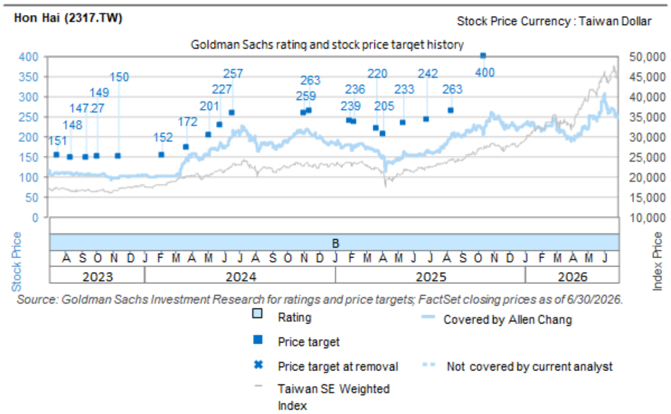
Price target and rating history chart(s)



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Target price history table(s)

Hon Hai (2317.TW)

Date of report	Target price (NT$)	Closing price (NT$)
15-Oct-25	400.00	206.50
14-Aug-25	263.00	199.50
28-Jun-25	242.00	165.00
15-May-25	233.00	159.50
06-Apr-25	205.00	153.50
24-Mar-25	220.00	163.00
09-Feb-25	236.00	178.00
31-Jan-25	239.00	-
14-Nov-24	263.00	211.50
05-Nov-24	259.00	214.00
20-Jun-24	257.00	217.50
28-May-24	227.00	185.50
06-May-24	201.00	167.50
24-Mar-24	172.00	145.50
05-Feb-24	152.00	101.50
14-Nov-23	150.00	100.00
05-Oct-23	149.00	103.50
13-Sep-23	147.27	106.00
14-Aug-23	148.00	110.00

Price targets shown in table(s) are unadjusted for corporate actions.

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