Hon Hai (2317.TW): Jun rev beat at +52% YoY; AI server racks to ramp up ahead; Buy (on CL)

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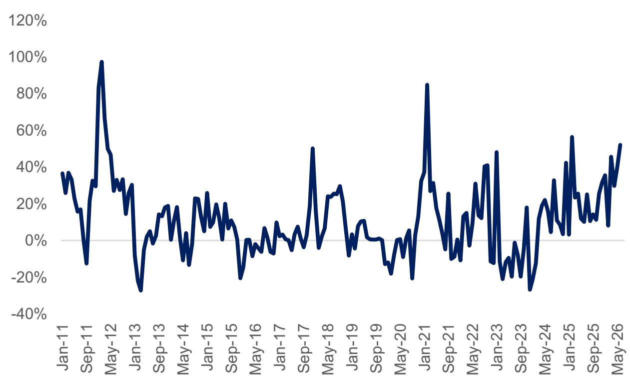
Hon Hai's Jun revenues were +52% YoY / -4% MoM to NT$822bn, or 18% ahead of our previous estimates, leading 2Q26 revenues to be +40% YoY / +19% QoQ. From a MoM perspective, **Consumer electronics** and **Cloud & Networking** were flattish MoM, management notes the pull-in momentum for AI products sustained, while being affected by tight material supply. **PC** and **Component & Others** decreased MoM due to pull-in momentum. From a YoY perspective, **PC, Component & Others, Cloud & Networking,** and **Consumer electronics** segments all showed strong YoY growth, and management attributes it to strong pull-in momentum. Management guided **3Q to see both QoQ and YoY growth,** given expectation for AI server racks to maintain growth, and Consumer electronics enters the peak season.

We expect continued growth of the AI server business with market share gain opportunities, along with the upcoming smartphone form factor changes in 2026E to drive Hon Hai's growth ahead. **Maintain Buy (on CL).**

Exhibit 1: Hon Hai's Jun revenues +52% YoY, or -4% MoM



Source: Company data

3-month revenues preview: We expect 3Q26E revenues to be +48% YoY / +22% QoQ to NT$3.1 trillion. June delivered strong YoY (+52% YoY), and we expect July revenues to remain strong at 51% YoY / 13% MoM to NT$929m, supported by AI rack server ramp up, and strong seasonality of consumer electronics business.

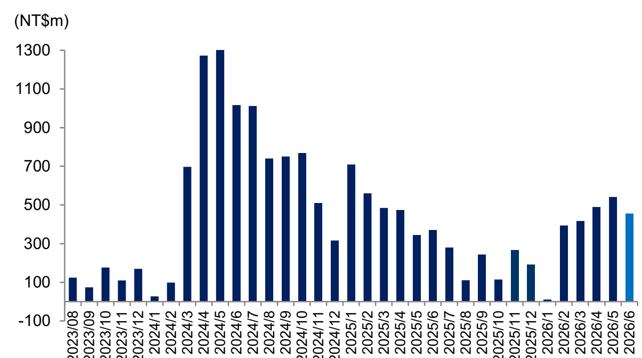
Exhibit 2: We model Hon Hai's Jul 2026 revenue to be +51% YoY or +13% MoM
Hon Hai's monthly/quarterly revenue

	Apr 2026	May 2026	June 2026	July 2026E	Aug 2026E	Sep 2026E	2Q26	3Q26E
Revenues (NT$m)	832,098	859,409	821,763	928,592	1,040,023	1,086,228	2,513,270	3,054,844
YoY	30%	40%	52%	51%	71%	30%	40%	48%
MoM/QoQ	4%	3%	-4%	13%	12%	4%	19%	22%
GS estimates (NT$m)	819,812	815,456	695,162				2,386,670	
Actual vs. GS	1%	5%	18%				5%	

Source: Company data, Goldman Sachs Global Investment Research

EV business in Jun 2026: Hon Hai's EV subsidiary Foxtron (2258.TW, Not Covered) reported **Jun revenues of NT$455mn (vs. May-26 / Jun-25 revenues at NT$541mn / NT$371mn)**. Post the announcement of its proposal to acquire Luxgen in December (report), Foxtron has announced its first self-branded vehicle "Foxtron Bria". Also, the partnership with Mitsubishi Motors (7211.T, covered by Kota Yuzawa) on passenger cars (read more in our report) and zero emission buses (read more on the company's announcement) suggest incremental growth opportunities for Foxtron which could be positive for Hon Hai.

Exhibit 3: Foxtron's (Hon Hai's EV subsidiary) monthly revenues



Source: Company data

Earnings revision: We factor in Hon Hai's 2Q26 revenues and keep our 2026E-28E EPS estimates largely unchanged. We revise up revenues by 1%/ 16% in 2027/ 28E on higher revenues of AI rack server, while revise down GM due to product mix changes. Our positive outlook for Hon Hai is unchanged, driven by its rising AI cloud business and the upcoming form factor changes of smartphones.

Exhibit 4: Earnings revision

	2026E			2027E			2028E		
NTD m	Old	New	Chg	Old	New	Chg	Old	New	Chg
Revenues	11,057,373	11,099,298	0%	13,795,323	14,000,932	1%	15,585,758	18,055,832	16%
GP	647,208	649,990	0%	738,399	740,165	0%	818,051	816,946	0%
OP	364,002	365,019	0%	415,584	414,056	0%	466,437	465,760	0%
Net income	269,742	270,555	0%	317,625	316,262	0%	357,316	356,326	0%
EPS (diluted, NT$)	19.04	19.10	0%	22.49	22.40	0%	25.30	25.23	0%
Margins									
GM	5.9%	5.9%		5.4%	5.3%		5.2%	4.5%	
OPM	3.3%	3.3%		3.0%	3.0%		3.0%	2.6%	
NM	2.4%	2.4%		2.3%	2.3%		2.3%	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 (rolled fwd to 2027E from 2026E P/E, vs. previously implied 2027E P/E at 18x).**

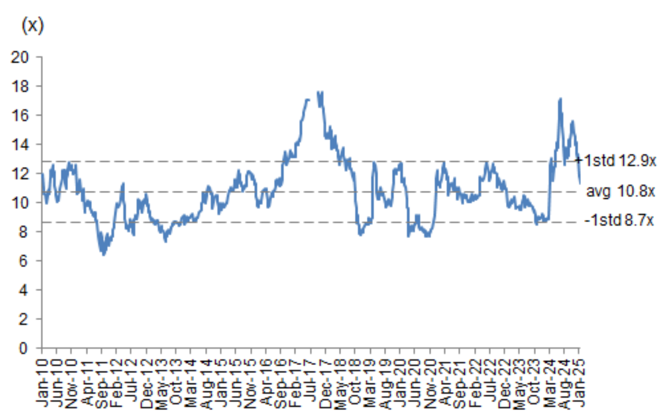
Our target P/E multiple of 18.9x (vs. 21x 2026E P/E previously, or implied 2027E P/E at 18x) is derived from a peers' average ratio of trading P/E to forward year NI YoY growth and OPM (P/E divided by the sum of NI YoY and OPM). Our target P/E of 18.9x is the range of company's historical forward P/E 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 5: Hon Hai P&L Summary

Hon Hai (2317.TW)	2022	2023	2024	2025	2026E	2027E	2028E	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E
NTD bn															
P&L															
Revenue	**6,627**	**6,162**	**6,860**	**8,103**	**11,099**	**14,001**	**18,056**	**1,644**	**1,793**	**2,059**	**2,606**	**2,120**	**2,513**	**3,055**	**3,412**
COGS	(6,227)	(5,774)	(6,431)	(7,605)	(10,449)	(13,261)	(17,239)	(1,544)	(1,680)	(1,928)	(2,453)	(1,989)	(2,371)	(2,872)	(3,218)
Gross profit	**400**	**388**	**429**	**498**	**650**	**740**	**817**	**101**	**114**	**131**	**153**	**131**	**142**	**183**	**194**
Operating expense	(226)	(221)	(228)	(239)	(285)	(326)	(351)	(54)	(57)	(60)	(68)	(55)	(73)	(74)	(83)
EBITDA	**250**	**251**	**288**	**347**	**466**	**536**	**589**	**70**	**80**	**95**	**102**	**101**	**95**	**134**	**136**
D&A	(76)	(84)	(88)	(88)	(101)	(121)	(124)	(24)	(23)	(25)	(16)	(25)	(25)	(25)	(25)
EBIT	**174**	**167**	**201**	**259**	**365**	**414**	**466**	**46**	**57**	**71**	**86**	**76**	**70**	**109**	**111**
Net interest income/(expense)	9	16	9	4	3	17	16	1	(1)	(3)	7	1	1	1	1
Disposal of assets (pre-tax)	4	15	2	7	0	0	0	0	1	6	0	0	0	0	0
Others	1	(5)	1	23	13	12	12	12	9	13	(10)	(2)	5	5	5
Pretax profit	**188**	**192**	**212**	**293**	**380**	**443**	**494**	**59**	**65**	**87**	**82**	**74**	**75**	**114**	**117**
Income tax	(36)	(37)	(40)	(78)	(76)	(93)	(104)	(13)	(16)	(21)	(29)	(15)	(15)	(23)	(23)
Minorities	(10)	(13)	(19)	(26)	(34)	(34)	(34)	(4)	(5)	(8)	(8)	(8)	(8)	(8)	(8)
Net income	**141**	**142**	**153**	**189**	**271**	**316**	**356**	**42**	**44**	**58**	**45**	**50**	**52**	**83**	**85**
EPS (NTD)	10.04	10.07	10.79	13.43	19.10	22.40	25.23	2.98	3.16	4.08	3.20	3.54	3.68	5.88	6.01
DPS (NTD)	5.22	5.31	5.70	7.15	10.16	11.92	13.43								
Dividend payout ratio	52%	53%	53%	53%	53%	53%	53%								
YoY% growth & margins															
Revenue growth	11%	-7%	11%	18%	37%	26%	29%	24%	16%	11%	22%	29%	40%	48%	31%
EBITDA growth	11%	0%	15%	20%	34%	15%	10%	23%	25%	25%	12%	44%	19%	40%	34%
EBIT growth	17%	-4%	20%	29%	41%	13%	12%	27%	27%	29%	33%	63%	23%	54%	30%
Net income growth	2%	0%	7%	24%	43%	17%	13%	91%	27%	17%	-2%	19%	17%	44%	88%
EPS growth	1%	0%	7%	24%	42%	17%	13%	90%	26%	16%	0%	19%	16%	44%	88%
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%	5.7%	6.0%	5.7%
EBITDA margin	3.8%	4.1%	4.2%	4.3%	4.2%	3.8%	3.3%	4.3%	4.5%	4.6%	3.9%	4.8%	3.8%	4.4%	4.0%
EBIT margin	2.6%	2.7%	2.9%	3.2%	3.3%	3.0%	2.6%	2.8%	3.2%	3.4%	3.3%	3.6%	2.8%	3.6%	3.3%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 6: Hon Hai's 12M forward P/E ratio



Source: Eikon Datastream

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$240.50**	Upside: **66.3%**

Buy CL

Market cap: NT$3.4tr / $106.7bn
Enterprise value: NT$3.2tr / $101.1bn
3m ADTV: NT$21.4bn / $677.7mn
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**	**11,099,298.1**	**14,000,931.9**	**18,055,832.2**
Revenue (NT$ mn) Old	8,103,104.8	11,057,372.6	13,795,323.3	15,585,757.7
EBITDA (NT$ mn)	347,220.9	466,479.3	535,510.5	589,495.9
EPS (NT$) New	**13.41**	**19.10**	**22.40**	**25.23**
EPS (NT$) Old	13.41	19.04	22.49	25.30
P/E (X)	13.9	12.6	10.7	9.5
P/B (X)	1.5	1.8	1.7	1.6
Dividend yield (%)	3.8	4.2	5.0	5.6
CROCI (%)	14.0	16.4	17.8	16.6

	3/26	**6/26E**	**9/26E**	**12/26E**
EPS (NT$)	3.60	3.68	5.88	6.01

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 3 Jul 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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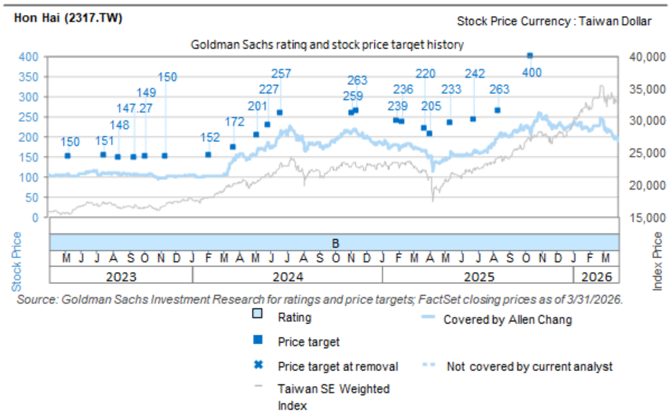
Price target and rating history chart(s)



The price targets shown should be considered in the context of all prior published Goldman Sachs research, which may or may not have included price targets, as well as developments relating to the company, its industry and financial markets.

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
19-Jul-23	151.00	108.50

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