J.P.Morgan

Asia Pacific Equity Research
12 July 2026

Hon. Precision

2Q26 revenue solid beat; robust demand across ASICs, CPUs, Tesla and China; SEMICON TW demos; OW

Overweight

7769.TW, 7769 TT
Price (09 Jul 26):NT$6,660.00
Price Target (Jun-27):NT$8,000.00

Technology

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Hon's 2Q26 revenue beat consensus by low teens, and we highlight strong ASP growth for equipment and solid margins into the 2Q26 results (likely in late Jul). Looking into 2H26, Hon's equipment business should benefit from robust demand across ASICs, Tesla, CPUs, China, while capacity tightness persists. Recall that SEMICON 2025 boosted sentiment and contributed to Hon's stock out-performance; we expect SEMICON 2026 to remain a key event, where Hon will showcase new handler platforms including large-package and CPO test insertion 4 (new platforms mean replacement demand and double digit price uptick). We remain constructive on Hon given solid near-term earnings and mutliple mid-to-long term growth drivers. While we have projected a low 60% CAGR for Hon's revenue/EPS in 2025-28, we see upside potential, driven by shipments, ASP and margins.

- **2Q26 revenue beat by low teens; expecting solid margins.** 2Q26 revenue of NT$13.8bn rose 29% QoQ and 101% YoY, beating both JPMe and consensus by 12–13%, driven by strength in both ATC handlers and cold plates. The revenue mix was likely ~75% equipment and low-20% cold plates, broadly similar to 1Q26. We suspect Hon's equipment revenue approximately doubled YoY - well ahead of equipment shipment growth and revenue recognition, implying strong double-digit ASP growth, in our view. Hon's ongoing improvements in equipment specs and its expanding product offering remain a core investment thesis. We also expect solid 2Q26 GM and OPM.
- **Equipment: robust demand & capacity tightness.** We see strong demand across ASICs, Tesla AI chips, CPUs, and China for Hon in 2H26. For **Tesla AI chips**, key demand drivers include equipment procurement needs from three Taiwan and Korea OSATs, as well as very high specs for ATC handlers (including FT dual-temp, FT tri-temp, and SLT tri-temp) and cold plates. Testing demand tied to **AMD's Venice server CPUs** has strengthened materially, and we expect Hon to deliver significant volumes in 2H26 - consistent with management's 1Q26 earnings commentary and our findings in the TSMC CoWoS and Advanced Packaging Jul 10 note (link). **Google's TPUs and CPU** testing demand remain important demand drivers, where Hon supplies FT handlers for all the projects and SLT handlers for MTK TPUs. Overall, Hon's equipment capacity remains tight, and the company is continuing to evaluate/add new production sites. For the US market, Hon will need to add/expand operation sites to increase its capacity of engineering handlers to support a growing base of customers and projects. On Jul 10, KYEC announced it would spend less than $1.4bn to set up its US factory - we read it as a new demand driver for Hon.
- **Semicon Taiwan on Sept 2-4 a key event for Hon.** Hon will showcase its engineering multi-bin handlers, large-package handlers, and test insertion solutions, including optical alignment, optical-electrical co-testing, and one-stop testing.**1) Engineering multi-bin handlers**: A multi-bin handler can sort test chips into several output bins (not just pass/fail). As AI/HPC-related chips become more expensive, chip designers increasingly emphasize more granular test result segmentation. Hon has improved the number of bins in its

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engineering handlers while controlling the width of the tool by redesigning key mechanical components; **2) Large-package handlers**: With shipments of its large-package handlers beginning in 3Q26, Hon will also bring this solution to SEMICON. Large-package is a new handler platform that is expected to drive a meaningful replacement cycle in 2027–28, along with a double-digit ASP increase versus the current handler platform; and **3) CPO test insertion 4 optical-electrical co-test handlers**: Hon has guided to complete development and begin trial production in 4Q26; it may share additional progress at the show.

- **Remain constructive on Hon given solid near-term earnings and multiple mid-to-long-term growth drivers.** Hon's share price has been range-bound since its 1Q26 earnings call, as some investors took profits around ~NT$8,000 (38x 2027E P/E) on the valuation consideration, rather than on fundamentals. Hon is trading at 32x/21x 2027E/28x P/E, and we view this as an enhanced entry point. We foresee potential upside to Hon's 2027E/28E earnings power (JPMe NT$210/NT$320 EPS), driven by capacity increase and product spec upgrades. Continued upward revisions to CoWoS and FOCoS capacity will increase AI/HPC chip output, supporting unit shipment growth for test equipment, and we see multi-year ASP expansion potential as test specs upgrade rapidly (i.e. ultra-high TDP, multi-zonal temp control, AOI integrated into handlers, large packages, CPO, etc.). Hon's core thermal and handler technologies are driving ongoing project wins and customer engagements, which could expand its addressable market over the long term. For AI chips, stringent temperature control in FT and SLT has become prevalent and remains a key demand driver for Hon. Our research also suggests that more advanced temperature control requirements in chip probing (CP) are emerging as a new technological upgrade trend, and this is not known by the Street. Hon's initiatives and related mid-term (12–24 months) opportunities for thermal chuck and ATC are worth tracking.

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Investment Thesis, Valuation and Risks

Hon. Precision *(Overweight; Price Target: NT$8,000.00)*

Investment Thesis

We are OW Hon. Precision (Hon). Hon is the global No.1 player in semiconductor test handlers, with a 35%+ market share, with an 80% revenue mix from AI & HPC. Given volume and spec uptrends for AI & HPC chips, we model 38%/15% CAGRs for handler shipments/ASP in 2025-28, driving 61% CAGRs for both revenue and EPS. We believe the Street underestimates its multi-year ASP expansion potential amid rapid test spec upgrades. Hon is also a CPO enabler/beneficiary and is becoming a handler total solution provider. We like Hon's EPS power, re-rating potential and enabler role in future AI chip tests.

Valuation

Our Jun-27 PT of NT$8,000 is based on a 38x 2027E P/E, slightly higher than its average of plus 2 STDs of 34x since Nov-24, when the company started trading on the Emerging Board.

We see a potential bull scenario in which Hon's share price could challenge the NT$10,000 level if and when the Street rolls forward to 2028E EPS and assigns a P/E of 35-40x.

Risks to Rating and Price Target

Key downside risks include an AI demand slowdown, test density declines, growing competition and slow progress in new advanced packaging technologies.

Key upside catalysts include global AI/AI semi capex hikes, stronger and longer AI demand, accelerating AP tech migrations and key project wins.

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Hon. Precision (7769.TW, 7769 TT) Price Chart

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage May 04, 2026. All share prices are as of market close on the previous business day.

Date	Rating	Price (NT$)	Price Target (NT$)
04-May-26	OW	4945.00	6,700
13-May-26	OW	6870.00	8,000

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