Morgan Stanley | RESEARCH

UPDATE

July 30, 2026 10:56 AM GMT

Hon Precision | Asia Pacific

CPO Handler Shipment Starts From October with Demand Outshines; Reiterate OW

AlphaSignals Earnings Reaction

Strengthens our thesis	Modest upside	Modest revision higher
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key takeaways from today's call:

- **Capacity outlook:** Raised 2026 capacity expansion from at least 40% Y/Y to 45%. 2027 remains on a 50% Y/Y pace, with most new capacity in Taiwan and China.
- **FT handler:** Sees strong demand from Tesla, xAI, AMD, and ADI. Customers are requesting large package size + advanced ATC (over 10kW) solutions, with shipments starting in Oct 2026.
- **SLT handler:** Completed first-stage SLT qualification for Rubin Ultra. Now holds 50% SLT share with US clients and 90% in China.
- **China demand:** Sees strong AI GPU testing demand, with 2026 revenue already growing 60–80% Y/Y and likely to double in 2027, including FT handler and SLT.
- **CPO/CPC:** Plans to start shipping the Insertion 4OE CPO FT handler in 4Q26, with monthly volume of 20–30 units from October. No competitors seen in this field. It's also working on a CPC handler project with ATE and a US networking customer.

Reiterate OW: We identify Hon Precision as a key beneficiary of the expanding AI testing TAM. We see the recent pullback as an attractive entry point, with the stock now trading at 25x 2027e EPS vs. a 2025–28e earnings CAGR of 75%.

Exhibit 1: 2Q earnings beat: AI/HPC/ASIC remains the key contributor, while auto demand also picked up

NT$ mn	2Q26	Q/Q	Y/Y	Mse 2Q26	Diff.	Cons 2Q26e	Diff.
Net sales	13,794	29%	100%	10,725	29%	12,320	12%
Gross profit	7,737	28%	92%	5,846	32%	7,012	10%
Operating profit	6,686	25%	84%	5,052	32%	6,210	8%
Net income	5,476	18%	122%	4,062	35%	4,983	10%
Reported EPS	**30.44**			**22.58**	**35%**	**28.39**	**7%**
Margins							
Gross margin	56.1%	*-0.2ppt*	*-2.6ppt*	54.5%	*1.6ppt*	56.9%	*-0.8ppt*
Opex ratio	7.6%	*1.4ppt*	*1.9ppt*	7.4%	*0.2ppt*	6.5%	*1.1ppt*
Operating margin	48.5%	*-1.5ppt*	*-4.4ppt*	47.1%	*1.4ppt*	50.4%	*-1.9ppt*
Net margin	39.7%	*-3.4ppt*	*3.9ppt*	37.9%	*1.8ppt*	40.4%	*-0.7ppt*

Source: Company data, Morgan Stanley Research

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Hon Precision (7769.TW, 7769 TT)

Greater China Technology Semiconductors | Taiwan

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	NT$10,008.00
Up/downside to price target (%)	78
Shr price, close (Jul 30, 2026)	NT$5,620.00
52-Week Range	NT$8,465.00-1,400.00
Sh out, dil, curr (mn)	162
Mkt cap, curr (mn)	NT$910,499
EV, curr (mn)	NT$856,898
Avg daily trading value (mn)	NT$4,511

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	76.26	129.19	222.56	371.52
Prior EPS (NT$)**	-	-	-	-
EPS (NT$)§	74.31	125.94	211.93	349.83

Revenue, net (NT$ mn)	30,271	54,983	93,963	153,445
EBITDA (NT$ mn)	15,114	28,578	49,985	83,599
ModelWare net inc (NT $ mn)	12,362	23,241	40,038	66,837
P/E	44.9	43.5	25.3	15.1
P/BV	9.6	15.3	11.7	8.5
RNOA (%)	-	513.2	113.0	100.7
ROE (%)	-	40.0	60.5	77.6
Div yld (%)	2.5	2.0	0.0	0.0
FCF yld ratio (%)**	3.0	(0.6)	1.2	2.4
Leverage (EOP) (%)	(92.4)	(48.9)	(28.4)	(12.8)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

Valuation Methodology and Risks

Hon Precision (7769.TW)

We derive our price target from a residual income model, as we believe this can best capture the long-term value. We assume a 9.8% cost of equity (risk-free rate 2.0% and risk premium 6.0%), a payout ratio of 65%, a medium-term growth rate of 15%, and a terminal growth rate of 4.0%. Our price target implies 77x 2026e, 45x 2027e and 27x 2028e P/Es.

Risks to Upside

- Stronger-than-expected AI demand
- Stronger-than-expected market share expansion
- Faster-than-expected CPO development with more testing needs emerging

Risks to Downside

- Slower-than-expected AI demand
- Stronger-than-expected market share gain from peers
- Slower-than-expected CPO development

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(as of June 30, 2026)

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Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
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Equal-weight/Hold	1577	43%	390	42%	25%	769	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	544	15%	89	10%	16%	204	12%
Total	3,668		933			1731	

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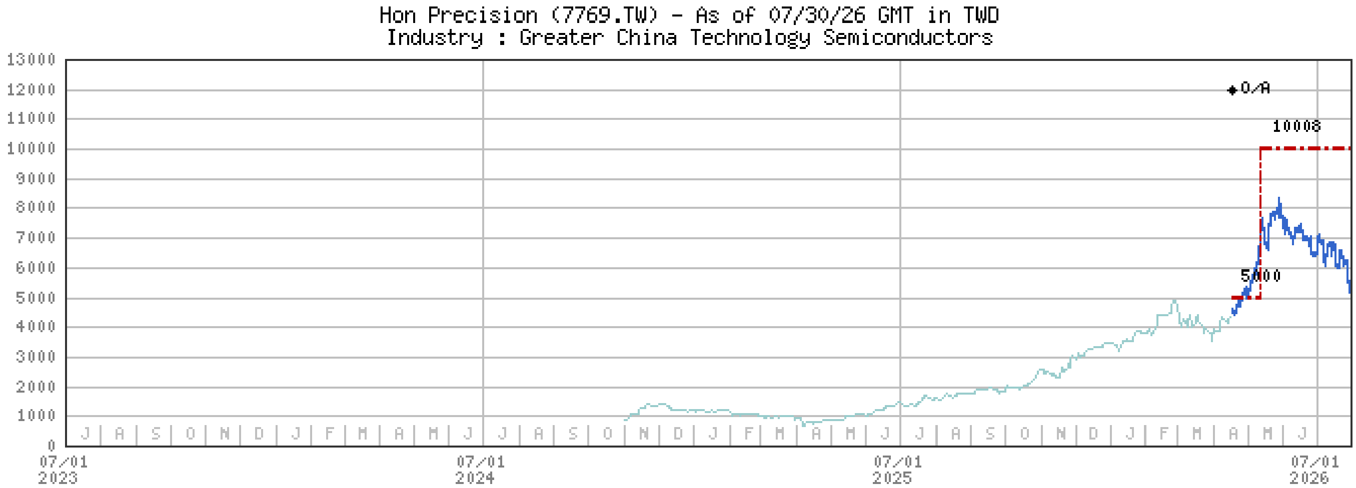

Stock Rating History: 4/17/26 : O/A

Price Target History: 4/17/26 : 5000; 5/13/26 : 10008

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
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INDUSTRY COVERAGE: Greater China Technology Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/30/2026)
Charlie Chan		
ACM Research Inc (ACMR.O)	O (03/07/2023)	US$65.30
Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb346.50
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	NT$103.00
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	NT$2,785.00
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT$505.00
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	Rmb1,042.43
Global Unichip Corp (3443.TW)	O (06/24/2026)	NT$3,460.00
GlobalWafers Co Ltd (6488.TWO)	E (05/19/2026)	NT$778.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$369.50
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$125.50
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$377.00
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$203.50
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb64.72
MediaTek (2454.TW)	O (11/28/2025)	NT$3,235.00
MetaX Integrated Circuits (688802.SS)	E (04/27/2026)	Rmb672.00
Nanya Technology Corp. (2408.TW)	O (05/28/2026)	NT$328.00
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb668.07
OmniVision Integrated Circuits Group Inc (603501.SS)	E (11/17/2025)	Rmb88.50
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$1,495.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb89.58
Silergy Corp. (6415.TW)	U (05/19/2026)	NT$375.50
SMIC (0981.HK)	O (10/21/2025)	HK$62.00
TSMC (2330.TW)	O (02/07/2022)	NT$2,205.00
UMC (2303.TW)	O (05/19/2026)	NT$110.00
Vanguard International Semiconductor (5347.TWO)	E (01/14/2026)	NT$138.00
WIN Semiconductors Corp (3105.TWO)	U (07/14/2025)	NT$268.00
Daisy Dai, CFA		
ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$135.10
China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb53.79

Empyrean Technology Co Ltd (301269.SZ)	E (01/17/2025)	Rmb85.49
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb27.77
Hygon Information Technology Co., Ltd. (688041.SS)	O (07/03/2026)	Rmb273.42
Innoscience (2577.HK)	E (10/13/2025)	HK$36.94
JCET Group Co Ltd (600584.SS)	E (01/16/2026)	Rmb64.51
Shanghai Fudan Microelectronics (1385.HK)	O (03/07/2025)	HK$22.52
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb81.35
StarPower Semiconductor Ltd (603290.SS)	E (05/14/2026)	Rmb79.08
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb64.70
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb21.49
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb81.93
Daniel Yen, CFA		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT$607.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT$1,305.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT$13,205.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT$88.00
Elan Microelectronics Corp (2458.TW)	O (10/03/2025)	NT$148.00
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb91.88
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb371.10
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT$91.80
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK$251.40
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb196.78
Novatek (3034.TW)	U (02/04/2026)	NT$491.00
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$106.50
Parade Technologies Ltd (4966.TWO)	O (05/27/2026)	NT$532.00
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$49.55
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$697.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb52.23
Winbond Electronics Corp (2344.TW)	O (05/28/2026)	NT$118.50
WPG Holdings (3702.TW)	O (03/16/2026)	NT$105.50
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT$183.50
Duan Liu		
Dosilicon Co Ltd (688110.SS)	U (09/06/2024)	Rmb101.52
Shenzhen Longsys Electronics Co Ltd (301308.SZ)	E (02/25/2026)	Rmb338.78
Tiffany Yeh		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$845.00
FOCI Fiber Optic Communications Inc (3363.TWO)	O (01/15/2025)	NT$437.00
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US$11.64
Hon Precision (7769.TW)	O (04/17/2026)	NT$5,620.00
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$4,800.00
Silicon Motion (SIMO.O)	O (05/06/2024)	US$209.68
WinWay Technology Co Ltd (6515.TW)	O (04/17/2026)	NT$5,290.00

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.