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Hon Precision | Asia Pacific

CPO handler on track for 1Q27 mass production; stay OW

AlphaSignals Earnings Reaction

Unchanged
Impact to our thesis

In-line
Financial results versus consensus

Largely unchanged
Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key takeaways from yesterday's call:

- **CPO/CPC:** Has shipped a small volume of Insertion 4 OE CPO FT qualification handlers in 4Q26, which are on track for mass production in 1Q27. Management expects qualification to start in November and end before the year-end. It's also working on a CPC handler project with Japanese ATE and a US customer who showed strong interest.

- **Mega Tray Handler:** Around 20-30% of customer bookings are Mega Trays, while full system ASP would increase by at least 30% from original handlers. Has also shipped the handler for customer qualification.
- **Preliminary 2027 outlook:** To see strong revenue growth in 2H27 from Mega Trays and CPO-related demand as these higher ASP solutions will start mass production in 1H27, with revenue recognition typically taking 3-6 months.
- **Capacity outlook:** 2027 remains on a 50% Y/Y pace, while the equipment unit growth might be lower than 50% given the higher complexity of new equipment.

Reiterate OW: Hon Precision is 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 24x 2027e EPS vs. a 2025–28e earnings CAGR of >70%.

Exhibit 1: Hon Precision 3Q26 Earnings Review

NT$ mn	3Q26	Q/Q	Y/Y	Mse 3Q26	Diff.	Cons 3Q26e	Diff.
Net sales	16,194	17%	98%	15,217	6%	15,220	6%
Gross profit	9,220	19%	95%	9,143	1%	8,732	6%
Operating profit	8,041	20%	93%	8,237	-2%	7,671	5%
Net income	6,717	23%	86%	6,643	1%	6,269	7%
Reported EPS	**37.33**			**36.93**	**1%**	**35.53**	**5%**
Margins							
Gross margin	56.9%	*0.8ppt*	*-0.8ppt*	60.1%	*-3.2ppt*	57.4%	*-0.4ppt*
Opex ratio	7.3%	*-0.3ppt*	*0.4ppt*	6.0%	*1.3ppt*	7.0%	*0.3ppt*
Operating margin	49.7%	*1.2ppt*	*-1.2ppt*	54.1%	*-4.5ppt*	50.4%	*-0.7ppt*
Net margin	41.5%	*1.8ppt*	*-2.6ppt*	43.7%	*-2.2ppt*	41.2%	*0.3ppt*

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 (%)	80
Shr price, close (Oct 28, 2026)	NT$5,565.00
52-Week Range	NT$8,465.00-2,170.00
Sh out, dil, curr (mn)	162
Mkt cap, curr (mn)	NT$901,588
EV, curr (mn)	NT$847,988
Avg daily trading value (mn)	NT$5,542

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$)§	74.31	129.47	219.20	365.63
Revenue, net (NT$ 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	43.1	25.0	15.0
P/BV	9.6	15.1	11.6	8.4
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

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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 September 30, 2026)
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Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

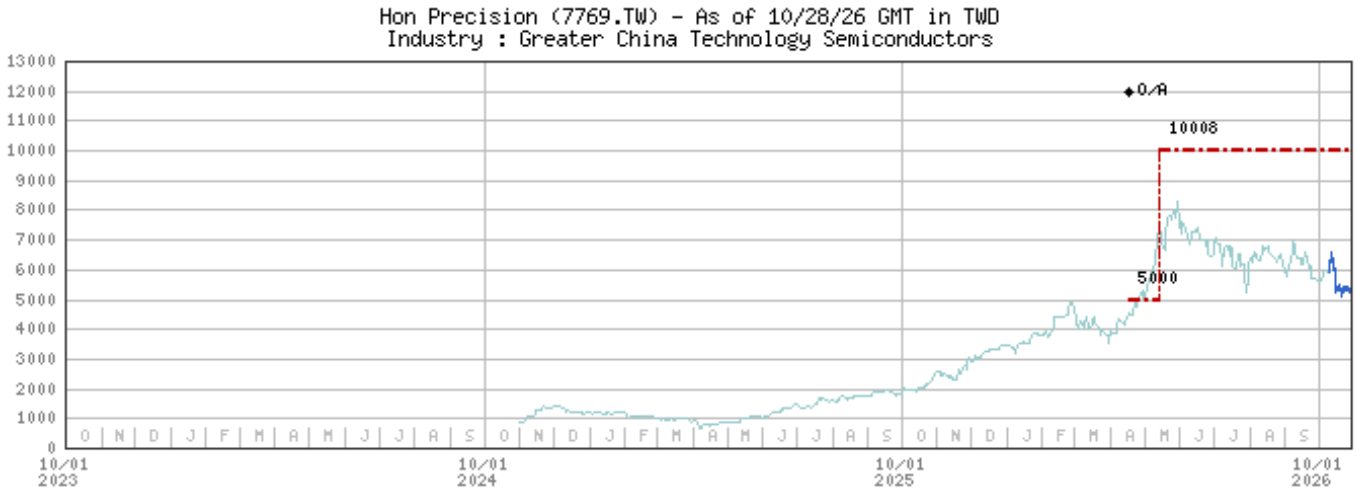
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Stock Price, Price Target and Rating History (See Rating Definitions)



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* (10/28/2026)
Charlie Chan		
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	NT$125.00
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	NT$3,800.00
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT$695.00
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	Rmb958.00
CXMT Corp (688825.SS)	O (08/26/2026)	Rmb44.36
Global Unichip Corp (3443.TW)	O (06/24/2026)	NT$8,170.00
GlobalWafers Co Ltd (6488.TWO)	E (05/19/2026)	NT$849.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$532.00
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$70.00
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$73.60
MediaTek (2454.TW)	O (11/28/2025)	NT$4,235.00
MetaX Integrated Circuits (688802.SS)	E (04/27/2026)	Rmb489.40
Nanya Technology Corp. (2408.TW)	O (05/28/2026)	NT$477.00
OmniVision Integrated Circuits Group Inc (603501.SS)	E (11/17/2025)	Rmb85.20
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$2,040.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb90.03
Silergy Corp. (6415.TW)	U (05/19/2026)	NT$525.00
SMIC (0981.HK)	O (10/21/2025)	HK$47.80
TSMC (2330.TW)	O (02/07/2022)	NT$2,425.00
UMC (2303.TW)	O (05/19/2026)	NT$128.00
Vanguard International Semiconductor (5347.TWO)	E (01/14/2026)	NT$167.50
WIN Semiconductors Corp (3105.TWO)	E (10/09/2026)	NT$540.00
Daisy Dai, CFA		
ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$118.30
China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb49.10
Empyrean Technology Co Ltd (301269.SZ)	E (01/17/2025)	Rmb101.92

Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb25.07
Hygon Information Technology Co., Ltd. (688041.SS)	O (07/03/2026)	Rmb192.70
Innoscience (2577.HK)	E (10/13/2025)	HK$30.92
JCET Group Co Ltd (600584.SS)	O (09/16/2026)	Rmb55.41
Shanghai Fudan Microelectronics (1385.HK)	O (03/07/2025)	HK$23.22
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb81.00
SJ Semiconductor Corp (688820.SS)	E (09/16/2026)	Rmb87.90
StarPower Semiconductor Ltd (603290.SS)	E (05/14/2026)	Rmb70.98
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb50.13
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb22.02
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb74.94
Daniel Yen, CFA		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT$843.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT$1,505.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT$17,295.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT$99.00
Elan Microelectronics Corp (2458.TW)	O (10/03/2025)	NT$130.00
eMemory Technology Inc (3529.TWO)	O (08/18/2026)	NT$2,655.00
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb142.55
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb289.88
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US$11.94
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT$103.50
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK$230.20
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb174.70
Novatek (3034.TW)	U (02/04/2026)	NT$598.00
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$142.00
Parade Technologies Ltd (4966.TWO)	O (05/27/2026)	NT$525.00
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$71.30
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$791.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb61.38
Silicon Motion (SIMO.O)	O (05/06/2024)	US$204.17
Winbond Electronics Corp (2344.TW)	O (05/28/2026)	NT$172.00
WPG Holdings (3702.TW)	O (03/16/2026)	NT$116.00
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT$217.00
Henry Zhao		
ACM Research Inc (ACMR.O)	O (03/07/2023)	US$51.97
Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb240.00
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb56.00
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb511.68
Lucas Wang		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$1,345.00
FOCI Fiber Optic Communications Inc (3363.TWO)	E (10/09/2026)	NT$533.00
Hon Precision (7769.TW)	O (04/17/2026)	NT$5,565.00
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$277.50
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$5,115.00

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