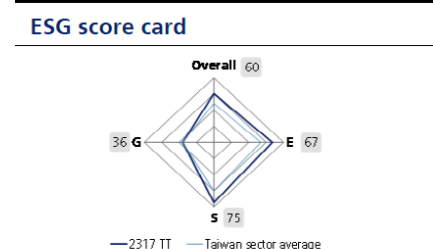


## Hon Hai (2317.TW/2317 TT)

### 2Q24 margins beat; cloud & iPhone sales drivers in 2H24F

FTSE4Good TIP Taiwan ESG Index stock				
<b>Outperform · Maintained</b>				
Price as of August 14 (NT\$)	185.5			
12M target price (NT\$)	265.0			
Previous target price (NT\$)	270.0			
Revised down (%)	1.9			
Upside (%)	42.9			
<b>Key message</b>				
<p>1. 2Q24 EPS of NT\$2.53 was better than consensus on a margins beat. 1H24 EPS was NT\$4.12, up 25% YoY.</p> <p>2. AI server sales grew by over 60% QoQ and 200% YoY in 2Q24 and were 13-15% of total sales (over 40% of server sales). AI server sales will keep growing in 2H24-2025F on GB200/B200A GPU launches.</p> <p>3. Despite cloud gross margin dilution on a higher AI server sales weighting, we expect a stable operating margin &amp; solid EPS growth in 2025F.</p>				
<b>Trading data</b>				
Mkt cap (NT\$bn/US\$m)	2,572 / 78,920			
Outstanding shares (mn)	13,865			
Foreign ownership (mn)	5,431			
3M avg. daily trading (mn)	83.84			
52-week trading range (NT\$)	94.50 - 226.5			
<b>Performance</b>	<b>3M</b> <b>6M</b> <b>12M</b>			
Absolute (%)	7.8 82.8 68.6			
Relative (%)	2.8 61.1 34.2			
<b>Quarterly EPS</b>				
NT\$	1Q	2Q	3Q	4Q
2022	2.12A	2.40A	2.80A	2.88A
2023	0.93A	2.38A	3.11A	3.83A
2024	1.59A	2.53A	3.11F	4.02F

NT\$	1Q	2Q	3Q	4Q
2022	2.12A	2.40A	2.80A	2.88A
2023	0.93A	2.38A	3.11A	3.83A
2024	1.59A	2.53A	3.11F	4.02F



Source: Refinitiv

#### Event

Hon Hai posted 2Q24 EPS of NT\$2.53, beating consensus on better-than-feared margins. Management is positive on cloud and component sales growth in 2H24F, with increased AI server and high-margin component sales driving earnings growth.

#### Impact

**2Q24 margins beat.** 2Q24 EPS of NT\$2.53 was up by 6% YoY and 59% QoQ, due to gross margin of 6.4% and operating margin of 2.9%, which were each up YoY and QoQ. Margins improved on stronger-than-expected sales, a better product mix, and favorable forex. Thanks to AI server sales (40% of server sales) growth of 60% QoQ and 200% YoY in 2Q24, cloud and networking sales grew 52% YoY and 33% QoQ, with a sales weighting of 32% in 2Q24, versus 28% in 1Q24 and 25% in 2Q23. Component sales also enjoyed robust growth of 41% YoY and 40% QoQ, and were 7% of total sales in 2Q24, up from 6% in 1Q24 and 2Q23. High-margin component sales growth offset the margins impact from AI server sales growth, causing 2Q24 EPS to beat consensus, but miss our forecast due to lower non-operating income. 1H24 EPS arrived at NT\$4.12, up 25%.

**Cloud server, components & CE sales rebound in 2H24-2025F.** Hon Hai is positive on 3Q24F sales, expecting over 15% YoY growth in cloud server/ networking and component sales. Consumer electronics (CE) and components sales will grow by over 15% QoQ, given new iPhone launches triggering mechanical and optical lens sales in 3Q24F. 4Q24F sales will also grow QoQ on positive seasonality. However, we expect lower margins in 2H24F, given an unfavorable product mix. The firm has not changed its 2024F sales target, for 5-14% YoY sales growth, and AI server and component sales will be the key catalyst. To reflect 2Q24 results, our 2024F EPS is adjusted to NT\$11.25, up 10% YoY. With AI server sales trending up, and sufficient supply from Nvidia (US), H100 and H200-related sales in 2H24F and GB200 and GB200A-related sales in 2025F will cause cloud server sales to grow to NT\$3.1tn in 2025F, comprising 35-40% of total sales, versus 25-30% in 2024F. Management expects GB200 AI server sales to begin in 4Q24F. In addition, higher iPhone demand should benefit CE sales growth, as the firm stands to benefit from stable order allocations owing to its production site diversification. We slightly raise our 2025F EPS to NT\$15.26, up 36% YoY. Despite gross margin dilution from AI server sales, we expect stable operating margin, at 3%, to drive EPS growth in 2025F.

#### Valuation & Action

Our target price is revised from NT\$270 to NT\$265, based on 20x 2024-25F EPS, based on a 2023-25F EPS CAGR of 16%. Maintain Outperform.

#### Risks

Slow EV orders and component development; weakening global demand.

#### Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$m)	5,994,174	6,626,997	6,162,221	6,761,348	8,313,714
Gross profit (NT\$m)	362,127	400,085	387,947	421,589	484,678
Operating profit (NT\$m)	148,959	173,788	166,528	195,810	253,544
Net profit (NT\$m)	139,320	141,483	142,098	155,947	211,599
EPS (NT\$)	10.05	10.21	10.25	11.25	15.26
Cash DPS (NT\$)	5.20	5.30	5.40	5.93	8.04
EPS growth (%)	36.9	1.6	0.4	9.7	35.7
PE (x)	18.5	18.2	18.1	16.5	12.2
PB (x)	1.9	1.8	1.7	1.6	1.5
EV/EBITDA (x)	8.7	8.1	7.8	6.1	5.2
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	2.8	2.9	2.9	3.2	4.3
Return on average equity (%)	10.4	10.0	9.7	10.2	13.1

Source: Company data; KGI Research estimates

Figure 1: Breakdown of 2Q24 result & 3Q24 forecasts & revisions vs. consensus

NT\$m	2Q24							3Q24F						
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	1,550,551	1,551,779	(0.1)	17.1	18.9	1,522,559	1.8	1,737,233	1,706,957	1.8	12.0	12.6	1,746,290	(0.5)
Gross profits	99,507	99,314	0.2	18.9	19.1	96,424	3.2	109,446	110,952	(1.4)	10.0	6.5	115,150	(5.0)
Operating income	44,604	43,450	2.7	21.4	44.2	41,058	8.6	52,117	51,209	1.8	16.8	12.9	54,474	(4.3)
Pretax Income	48,400	51,734	(6.4)	48.9	1.5	48,510	(0.2)	58,508	58,993	(0.8)	20.9	2.3	61,809	(5.3)
Net income	35,045	36,241	(3.3)	59.2	6.2	34,497	1.6	43,126	43,515	(0.9)	23.1	(0.0)	45,706	(5.6)
EPS (NT\$)	2.53	2.61	(3.3)	59.2	6.2	2.49	1.6	3.11	3.14	(0.9)	23.1	(0.0)	3.30	(5.6)
Gross margin (%)	6.4	6.4	0.0 ppts	0.1 ppts	0.0 ppts	6.3	0.1 ppts	6.3	6.5	(0.2)ppts	(0.1)ppts	(0.4)ppts	6.6	(0.3)ppts
OP margin (%)	2.9	2.8	0.1 ppts	0.1 ppts	0.5 ppts	2.7	0.2 ppts	3.0	3.0	(0.0)ppts	0.1 ppts	0.0 ppts	3.1	(0.1)ppts
Net margin (%)	2.3	2.3	(0.1)ppts	0.6 ppts	(0.3)ppts	2.3	(0.0)ppts	2.5	2.5	(0.1)ppts	0.2 ppts	(0.3)ppts	2.6	(0.1)ppts

Source: Company data; Bloomberg; KGI Research

Figure 2: Breakdown of 2024-25 forecasts & revisions vs. consensus

NT\$m	2024F						2025F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	6,761,348	6,648,793	1.7	9.7	6,727,924	0.5	8,313,714	8,268,977	0.5	23.0	8,389,996	(0.9)
Gross profit	421,589	428,223	(1.5)	8.7	430,385	(2.0)	484,678	481,553	0.6	15.0	526,137	(7.9)
Operating income	195,810	201,655	(2.9)	17.6	195,943	(0.1)	253,544	248,459	2.0	29.5	255,639	(0.8)
Pretax Income	209,624	221,193	(5.2)	9.1	215,097	(2.5)	280,248	277,395	1.0	33.7	284,350	(1.4)
Net income	155,947	165,260	(5.6)	9.7	157,029	(0.7)	211,599	209,303	1.1	35.7	207,938	1.8
EPS (NT\$)	11.25	11.92	(5.6)	9.7	11.33	(0.7)	15.26	15.10	1.1	35.7	15.00	1.8
Gross margin (%)	6.2	6.4	(0.2)ppts	(0.1)ppts	6.4	(0.2)ppts	5.8	5.8	0.0 ppts	(0.4)ppts	6.3	(0.4)ppts
OP margin (%)	2.9	3.0	(0.1)ppts	0.2 ppts	2.9	(0.0)ppts	3.0	3.0	0.0 ppts	0.2 ppts	3.0	0.0 ppts
Net margin (%)	2.3	2.5	(0.2)ppts	0.0 ppts	2.3	(0.0)ppts	2.5	2.5	0.0 ppts	0.2 ppts	2.5	0.1 ppts

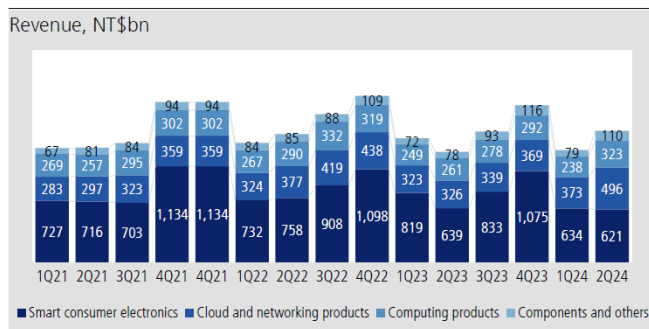
Source: Company data; Bloomberg; KGI Research estimates

Figure 3: Product mix

Sales (NT\$b)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24F	4Q24F	2020	2021	2022	2023	2024F	2025F
Smart consumer electronics	732	758	908	1,098	819	639	833	1,075	634	621	793	1,174	2,593	3,280	3,496	3,366	3,222	3,376
Cloud & networking	324	377	419	438	323	326	339	369	373	496	525	554	1,316	1,267	1,557	1,358	1,948	3,078
Computing	267	290	332	319	249	261	278	292	238	323	292	277	1,136	1,114	1,208	1,079	1,130	1,182
Components & others	84	85	87	109	72	78	93	116	79	110	127	145	313	334	365	359	462	678
Total	1,408	1,510	1,747	1,963	1,462	1,305	1,543	1,852	1,324	1,551	1,737	2,150	5,358	5,994	6,627	6,162	6,761	8,314
Weighting (%)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24F	4Q24F	2020	2021	2022	2023	2024F	2025F
Smart consumer electronics	52	50	52	56	56	49	54	58	48	40	46	55	48	55	53	54	48	41
Cloud & networking	23	25	24	22	22	25	22	20	28	32	30	26	25	21	24	22	29	37
Computing	19	19	19	16	17	20	18	16	18	21	17	13	21	19	18	18	17	14
Components & others	6	6	5	6	5	6	6	6	6	7	7	7	6	6	6	6	7	8
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
YoY (%)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24F	4Q24F	2020	2021	2022	2023	2024F	2025F
Smart consumer electronics	1	6	29	(3)	12	(16)	(8)	(2)	(23)	(3)	(5)	9	(2)	27	7	(4)	(4)	5
Cloud & networking	14	27	29	20	(0)	(14)	(19)	(16)	15	52	55	50	5	(4)	23	(13)	43	58
Computing	2	12	13	8	(7)	(10)	(16)	(8)	(4)	24	5	(5)	2	(2)	8	(11)	5	5
Components & others	14	4	4	15	(15)	(7)	6	7	10	41	38	25	(3)	7	9	(2)	29	47
Total	4	12	24	4	4	(14)	(12)	(6)	(9)	19	13	16	0	12	11	(7)	10	23
QoQ (%)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24F	4Q24F	2020	2021	2022	2023	2024F	2025F
Smart consumer electronics	(36)	4	20	21	(25)	(22)	30	29	(41)	(2)	28	48						
Cloud & networking	(11)	17	11	5	(26)	1	4	9	1	33	6	5						
Computing	(10)	8	15	(4)	(22)	5	6	5	(18)	36	(9)	(5)						
Components & others	(11)	0	3	25	(34)	9	18	25	(32)	40	15	14						
Total	(26)	7	16	12	(26)	(11)	18	20	(29)	17	12	24						

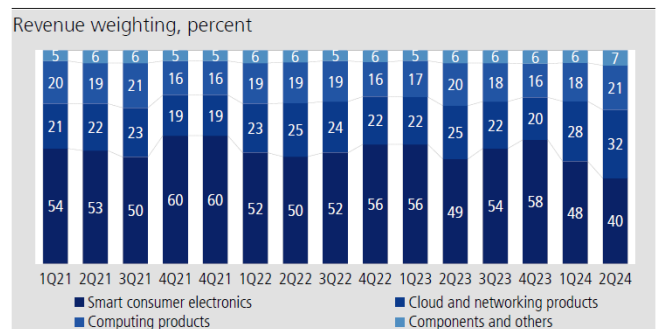
Source: Company data; KGI Research estimates

Figure 4: Revenue mix by product



Source: Company data; KGI Research

Figure 5: Revenue mix by product



Source: Company data; KGI Research

**Figure 6: Hon Hai has announced partnerships with traditional & emerging automakers**

Company	Announcement	JV ownership	Details
	Jan-20	50% Hon Hai 50% Fiat Chrysler	1) Initially focusing on Chinese EV market. 2) PSA and FCA merged as Stellantis in January 2021.
	May-21	50% FIH Mobile 50% Stellantis	3) FIH Mobile, Hon Hai's subsidiary, jointly invested in Mobile Drive with Stellantis to focus on infotainment, telematics and cloud service platform development for smart cockpit. 4) Software R&D including AI, navigation, voice assistance, and payment systems. 5) Targets self-designed IC chips adopted in Stellantis vehicles by 2024.
	Feb-20	51% Hon Hai 49% Yulong	1) Hon Hai and Yulong established a JV, Foxtron, in 2020. 2) Expects Foxtron to launch first EV model in 2-3 years.
	Jan-21	50% Hon Hai 50% Geely	JV may provide assembly service for Faraday Future.
	Feb-21	N.A.	1) Hon Hai will work with Fisker in Project PEAR, targeting mass production of another EV model in 4Q23. 2) Hon Hai announced in May 2021 it would establish an EV production site in the US with Fisker. 3) PEAR project for Fisker will be produced at Lordstown's plant in Ohio.
	May-21	60% PTT Group 40% Hon Hai	1) Signed Memorandum of Understanding (MoU) and founded JV to provide EV production platform in Thailand with investment of US\$1-2bn. 2) Targets mass production with annual EV capacity of 50k in 2023-2024. 3) Planned annual EV capacity is 150k.
	Jun-21	N.A.	Signed MoU to work on EV battery exchange.
	Jul-21	N.A.	1) Foxtron signed MoU to work on EV bus. 2) Expects to operate in southern Taiwan in 2022.
	Sep-21	N.A.	1) Hon Hai reached an agreement with Lordstown to cooperate in electric pickup truck production. 2) Hon Hai will purchase Lordstown's Ohio plant and equipment for US\$230mn. 3) Targets mass production of Endurance full-size pickup and revenue contribution in 2H22. 4) Both will pursue JV to co-design and develop vehicles for commercial fleet with MIH platform, and both have the right to commercialize new EV programs in US and internationally. 5) Hon Hai will purchase Lordstown's shares for US\$67.85mn. 6) Maximum annual capacity of 500-600k.
	Feb-22	8.2% Hon Hai	1) Hon Hai will invest SAR562.5mn to acquire 8.2% of JV. 2) Targets sedan and SUV. 3) Will cooperate in EEA, software, and cloud.
	May-22	55% Hon Hai	1) Hon Hai completed OEM manufacturing agreement, signed JV development agreement, and formally acquired Lordstown factory. 2) Hon Hai will invest US\$55mn in the JV and hold 55% of shares. 3) Lordstown Motors will become Hon Hai's first mass-production commercial vehicle customer and start to produce electric pickups in Ohio in 2H22.
	Aug-22	N.A.	1) Hon Hai signed contract manufacturing agreement (CMA) with Monarch Tractor to build next-generation agricultural equipment and battery packs at Foxconn Ohio facility. 2) Foxconn's first CMA following closing of Asset Purchase Agreement (APA). 3) Scheduled to begin full-rate production of Monarch Tractor's MK-V Series in 1Q23 at Foxconn Ohio (~6.2mn square feet).
	Sep-22		1) Hon Hai announced to establish a JV, PT Foxconn Indika Motor (FIM), with PT Mitra Motor Group (MMG), a subsidiary of Indika Energy, through its affiliate Foxteq Singapore Pte. Ltd. 2) The establishment of FIM is a continuation of the MoU signed in Jan. 2022 by Indika, Foxconn, and others. 3) FIM will conduct manufacturing business for commercial electric vehicles and electric batteries, as well as providing management consultation service.
	Oct-22		1) Hon Hai announced the signing of MOU with INDIEV to manufacture the first INDI One prototype vehicles at Foxconn Ohio. 2) This MOU is the newest EV manufacturing opportunity confirmed for Foxconn after completing the Asset Purchase Agreement ("APA"). 3) Potential collaboration will be disclosed at a later date as both sides remain in negotiation.
	Nov-22		1) Public Investment Fund (PIF) announced the launch of Ceer, a joint venture between PIF and Foxconn. 2) Ceer is the first EV brand in Saudi Arabia and will license component technology from BMW. 3) Ceer will attract over US\$150mn of foreign direct investment, projected to directly contribute US\$8 bn to Saudi Arabia's GDP by 2034.
	Nov-22		1) Hon Hai announced to invest US\$170mn in Lordstown through its subsidiary Foxconn Ventures Pte. Ltd. 2) After the completion of the transaction, Hon Hai will hold all of Lordstown's outstanding preferred stock and 18.3% of its common stock. 3) Hon Hai will become the biggest shareholder of Lordstown and have the right to designate two board members after this deal.

Source: Company data; KGI Research

Figure 7: Hon Hai has announced partnerships with key EV component manufacturers

Company	Announcement	JV ownership	Product	Details
YAGEO	May-21	N.A.	Small IC (power and analog)	1) JV Xsemi will focus on ASP < US\$2 small IC (power and analog). 2) Xsemi will be headquartered in Hsinchu, mainly for small IC sales and channel development.
榮炭科技 LONG TIME Technology Co., Ltd.	Jun-21	N.A.	Battery material	1) Hon Hai invested NT\$995mn to acquire 10.5% Gigasolar's shares. 2) Expects to develop batteries for EV such as LFP, targets launch of MCU and SoC for EV by end-2021, and solid-state lithium ion batteries could enter mass production in 2024.
中望网碳素	Sep-21	N.A.	Battery material	1) On September 28, 2021, Hon Hai signed MoU with Giga Solar, Long Time, and CSCC to develop negative electrode battery material. 2) Targets release of first power battery for E-bus in 2023.
SES Beyond Li-Ion™	Jul-21	N.A.	Battery material	1) Hon Hai participated in SES (Solid Energy Systems) private placement. 2) Expects to develop high-energy density battery for EV.
Nidec 尼得科 -All for dreams	Jul-21	N.A.	EV drive system Traction motor system	1) On March 18, 2021, Foxtron signed MoU with Nidec to develop EV drive system. 2) JV will be founded and headquartered in Taiwan in 2022. 3) Hon Hai, Foxtron and Nidec will use JV for production and sale of traction motor systems.
INDIKA ENERGY	Jan-22	N.A.	Battery cells, module and pack EV and E-scooter Energy storage systems	1) Signed MoU to work on EV battery, EV, E-scooter and energy storage systems with PT. Industri Baterai Indonesia (IBC), Indika and Gogoro. 2) Will cooperate with Indonesia government to mine Nickel for LFP battery. 3) Indonesia government expects overall investment to reach US\$8bn, and production revenue to arrive at US\$100bn in 2030.
XRSPACE	Feb-22	N.A.	Metaverse	1) Signed MoU to work on hardware and software vertical integration to create holistic Metaverse ecosystem. 2) Focused on AR/VR, software, infrastructure, content and cloud services. 3) Hon Hai will help XRSPACE to improve its platform performance of PartyOn and GOXR. 4) Hon Hai plans to invest US\$15mn to acquire 9.09-9.68% in the first stage, and could increase investment to maximum of US\$100mn if needed.
SHINFOX SHIN FOX ENERGY	Apr-22	N.A.	Green Power	1) Hon Hai signed MoU with Shinfox Energy's subsidiary, Fu Wei Power, for green power procurement. 2) Hon Hai purchased 2.36 million units of green power this year and expects to purchase 70 million units by 2030.
arQana	Apr-22	100%	RF semiconductor	1) Hon Hai completed acquisition of arQana's wireless department, which will merge with AcheronTek Inc. to form new company ICana. 2) Becoming global RF semiconductor component supplier to strengthen product development for 5G Sub-6 and millimeter wave. 3) Expanding internet vehicles and electric vehicles market.
DNeX	May-22	Hon Hai 5.03%	Semiconductor	1) Hon Hai subsidiary, Big Innovation Holdings Limited (BIH), signed MoU with DNeX Group. 2) Constructing 12-inch wafer fab in Malaysia with monthly capacity of 40K wafers, mainly in 28 and 40 nanometers. 3) Targets production of power components, radio frequency components, and CMOS image sensor products.
XSEMI	May-22	49% Yageo 51% Hon Hai	Semiconductor	1) Hon Hai participated in NT\$3.1 billion capital increase of XSEMI and will hold 51% of XSEMI. 2) JV will mainly serve system and channel customers. 3) XSEMI participated in NT\$2.8 billion private placement with Fudin; XSEMI will be the largest shareholder at 30.08%. Targets complete line of medium and high-voltage Si MOSFETs to supply EV and industrial semiconductor products.
THOR MICROELECTRONICS	Jul-22	10% Hon Hai	Semiconductor material	1) Hon Hai invested NT\$500 million to acquire 10% of shares. 2) Cooperation will help Hon Hai subsidiary Hon Young Semiconductor to obtain SiC substrate and strengthen vertical integration of supply chain for electric vehicles and semiconductors.
NXP	Jul-22			1) Hon Hai signed MoU with NXP to jointly develop platforms for new generation of smart connected vehicles. 2) Hon Hai will integrate NXP's S32 family of processors into its EV platform. 3) Hon Hai and NXP outlined more than 10 automotive products for first stage.
PRETTL SWH group	Jan-23		Connector	1) Hon Hai's Hon Teng Precision Technology (FIT) announced to acquire PRETTL SWH Group for 186mn euros. 2) PRETTL SWH Group is a German firm assisting customers in the development and manufacture of high-end automotive sensor wiring harnesses and connectors and automotive power solutions. 3) This acquisition is estimated to bring FIT an annual revenue contribution of about 350-400mn euros in the short term and is expected to improve FIT's overall gross margin on better product mix in the future.
Infineon	May-23		Semiconductor	1) Infineon and Hon Hai sign MoU to partner on SiC collaboration in EV development. 2) The MoU addresses their collaboration on the implementation of SiC technology in automotive high-power applications including traction inverters, onboard chargers, and DC-DC converters. 3) A system application center in Taiwan is expected to be established in 2023 to further expand the scope of their cooperation.
SiliconAuto	Jun-23	50% Hon Hai 50% Stellantis	Semiconductor	1) Stellantis and Hon Hai announced to create SiliconAuto, a JV to design and sell automotive semiconductors. 2) SiliconAuto's products will start to tailor chips for Hon Hai, Stellantis and other customers in 2026.
ANALOG DEVICES	Jul-23		Digital Cockpit, Battery Management System (BMS)	1) Hon Hai and Analog Devices signed a MoU to jointly develop the next-generation digital car cockpit and BMS. 2) The two firms aims to create a smarter mobility ecosystem by advancing software-defined vehicles.
ZF	Jul-23	50% Hon Hai 50% ZF Group	Chassis	1) Foxconn acquires 50% stake in ZF Chassis Modules GmbH, a unit of ZF Group with an enterprise value of €1bn. 2) The partnership focuses on the development of passenger car chassis system. 3) This strategic partnership will leverage capabilities of the two parties and expand the range of product offerings in ICE/EV space, and seeks to enlarge customer base for the both.
HCL	Jan-24	40% Hon Hai	Semiconductor	1) Hon Hai and HCL Group jointly set a semiconductor OSAT in India. 2) The manufacturing site will locate in Karnataka, with a focused on small and medium-outline package.

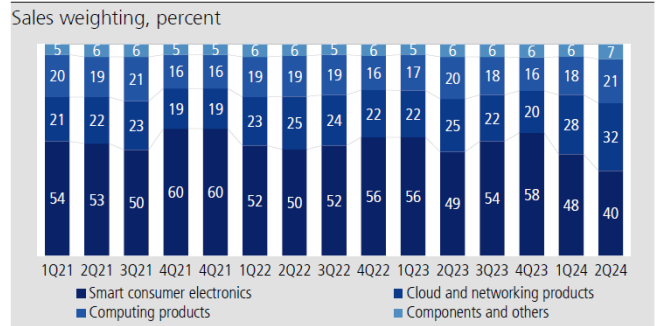
Source: Company data; KGI Research

**Figure 8: Company profile**

Founded in 1974, Hon Hai is the world's largest electronic manufacturing service (EMS) company, principally engaged in the assembly and production of computers, consumer electronics, servers, and networking equipment. It also has several investment arms spanning semiconductors, machinery modules, and industrial internet. The firm operates businesses domestically and overseas.

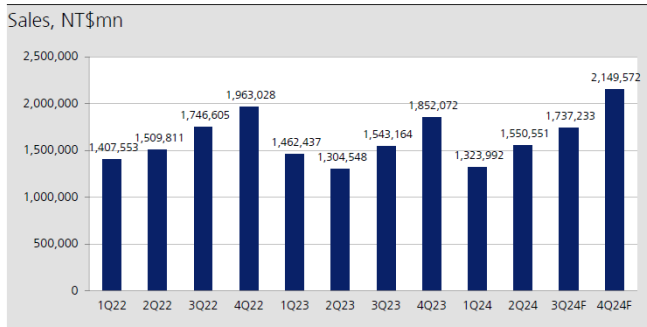
Source: Company data; KGI Research

**Figure 9: Sales by segment**



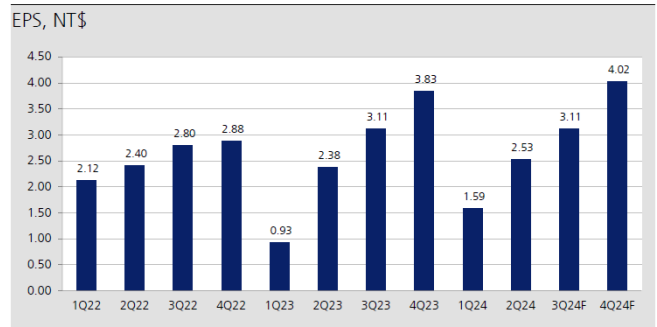
Source: Company data; KGI Research

**Figure 10: Sales**



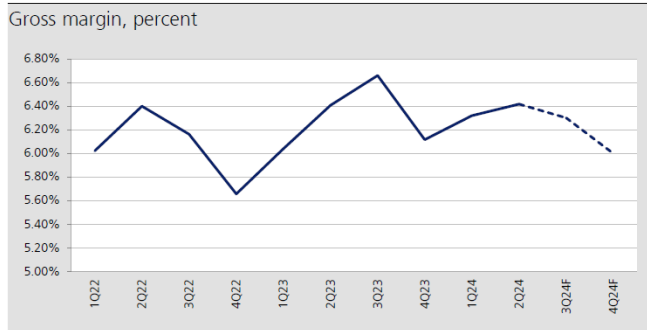
Source: KGI Research

**Figure 11: EPS**



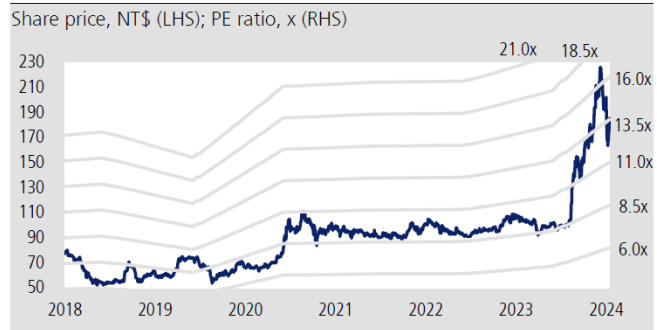
Source: KGI Research

**Figure 12: Gross Margin**



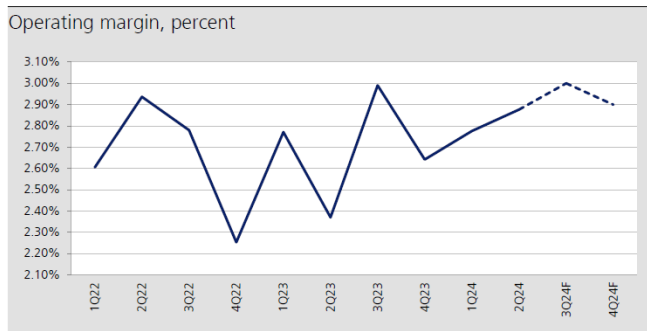
Source: KGI Research

**Figure 13: 12M forward PE band**



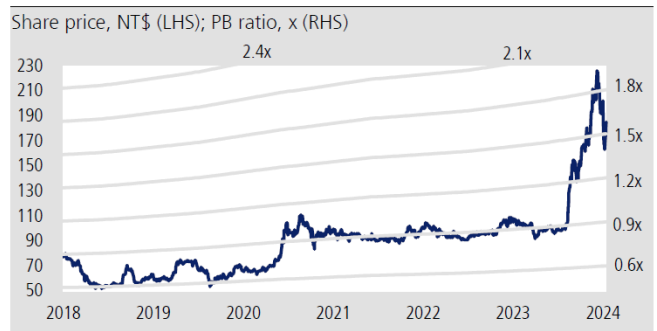
Source: TEJ; KGI Research estimates

**Figure 14: Operating Margin**



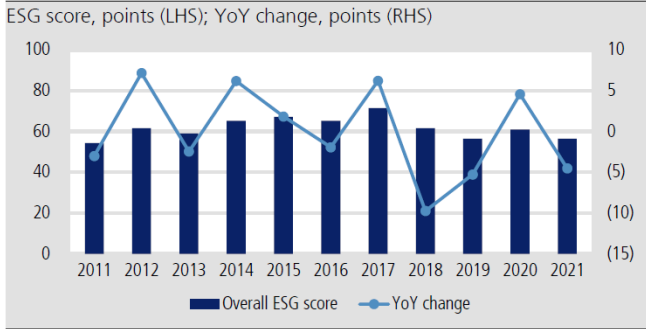
Source: KGI Research

**Figure 15: 12M forward PB band**



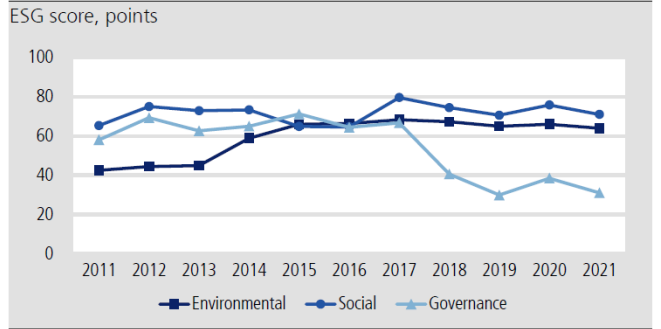
Source: TEJ; KGI Research estimates

**Figure 16: Overall ESG score**



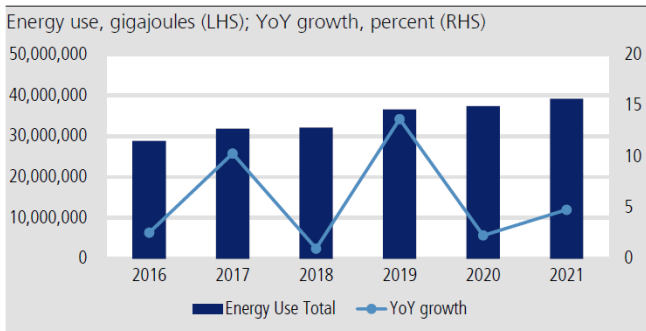
Source: Refinitiv; Company data

**Figure 17: ESG score**



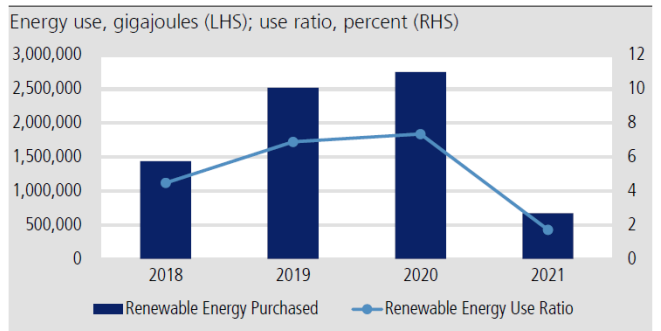
Source: Refinitiv; Company data

**Figure 18: Energy use**



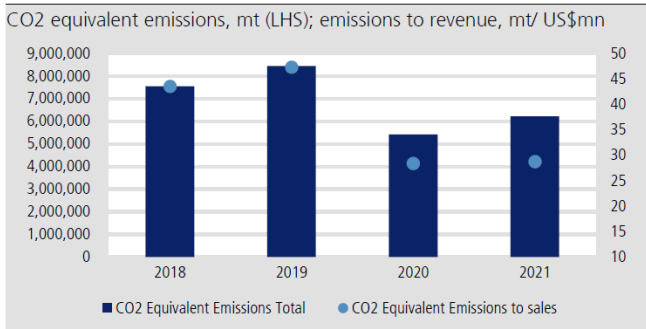
Source: Refinitiv; Company data

**Figure 19: Renewable energy**



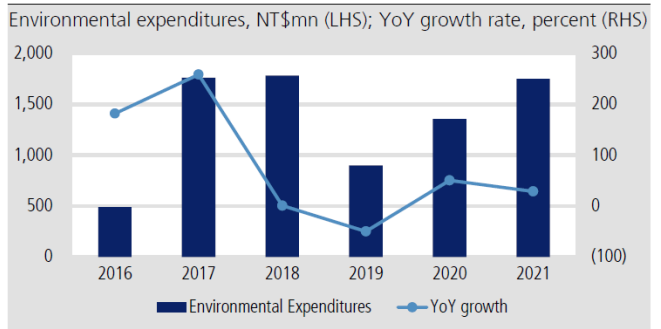
Source: Refinitiv; Company data

**Figure 20: CO2 equivalent emissions**



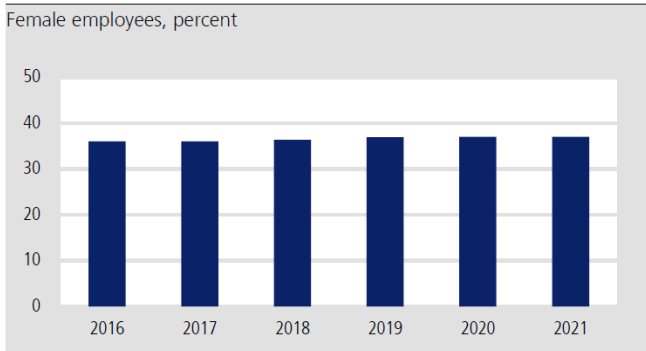
Source: Refinitiv; Company data

**Figure 21: Environmental expenditures**



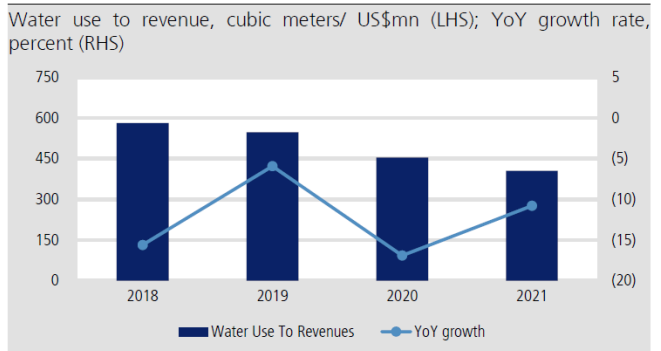
Source: Refinitiv; Company data

**Figure 22: Gender diversification**



Source: Refinitiv; Company data

**Figure 23: Water use to revenue**



Source: Refinitiv; Company data

**ESG chart definition**

Item	Definition	Remarks
Energy use	<p>Total direct and indirect energy consumption in gigajoules.</p> <ul style="list-style-type: none"> <li>- the total amount of energy that has been consumed within the boundaries of the company's operations</li> <li>- total energy use = total direct energy consumption + indirect energy consumption</li> <li>- purchased energy and produced energy are included in total energy use</li> <li>- for utilities, transmission/ grid loss as part of its business activities is considered as total energy consumed and data does not consider electricity produced to answer energy use (utility company produces to sell)</li> <li>- for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use'</li> </ul>	
Renewable energy purchased	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> <li>- energy consumed by the company from various sources and among the purchased energy, how much energy is renewable in nature (solar, wind, hydro, biomass, geothermal) are in scope</li> <li>- if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased</li> </ul>	
Renewable energy use ratio	Renewable energy to total energy used	
CO2 equivalent emissions	<p>Direct CO2 and CO2 equivalent emissions in metric tons.</p> <ul style="list-style-type: none"> <li>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)</li> <li>- following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)</li> </ul>	
CO2 equivalent emissions to sales	<p>Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$m)</p> <ul style="list-style-type: none"> <li>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)</li> <li>- following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)</li> </ul>	
Waste total	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> <li>- total waste = non-hazardous waste + hazardous waste</li> <li>- only solid waste is taken into consideration, exceptionally if liquid waste is reported in metric tons, then we do the summation to derive total including liquid waste</li> <li>- for sectors like mining, oil &amp; gas, waste generation like tailings, waste rock, coal and fly ash are also considered</li> </ul>	
Waste recycling ratio	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> <li>- waste recycling ratio = waste recycled/total waste*100</li> <li>- waste to energy or waste incinerated with energy recovery are considered as waste recycled</li> <li>- waste recovered via composting is considered as recycled waste</li> </ul>	
Water withdrawal total	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> <li>- the total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities</li> <li>- different sources of water like wells, town/utility/municipal water, river water, and surface water are considered</li> </ul>	
Environmental expenditures	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> <li>- all environmental investment &amp; expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures</li> </ul>	
Turnover of employees	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> <li>- includes employees who left the company for any reason (voluntary or involuntary), such as resignations, retirement, natural departure/death, medical incapacitation, redundancy, layoffs, restructuring, dismissal, retrenchment or end of a fixed-term contract</li> <li>- employees turnover rate = (employees leaving/average number of employees)*100</li> <li>- where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2</li> <li>- employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving</li> </ul>	
Women managers	<p>Percentage of women managers.</p> <ul style="list-style-type: none"> <li>- percentage of women managers among total managers of the company</li> <li>- if there is a breakdown by category in percentage, such as top, senior, middle, and junior management, then we consider the percentage of middle women managers</li> <li>- percentage of women managers = number of women managers/total number of managers*100</li> </ul>	
Women employees	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> <li>- percentage of women employees to the total number of employees of the company</li> <li>- percentage of women employees = number of women/total number of employees*100</li> </ul>	
Training hours total	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> <li>- consider only employee training hours</li> <li>- includes all types of training given to general employees (such as health &amp; safety, environmental, emergency response, skills &amp; career development training)</li> <li>- if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked</li> </ul>	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv; KGI Research

**Income statement**

	Quarterly								Annually		
	Mar-23A	Jun-23A	Sep-23A	Dec-23A	Mar-24A	Jun-24A	Sep-24F	Dec-24F	Dec-23A	Dec-24F	Dec-25F
<b>Income statement (NT\$m)</b>											
Revenue	1,462,437	1,304,548	1,543,164	1,852,072	1,323,992	1,550,551	1,737,233	2,149,572	6,162,221	6,761,348	8,313,714
Cost of goods sold	(1,374,103)	(1,220,971)	(1,440,410)	(1,738,790)	(1,240,329)	(1,451,044)	(1,627,788)	(2,020,598)	(5,774,274)	(6,339,759)	(7,829,036)
<b>Gross profit</b>	<b>88,334</b>	<b>83,577</b>	<b>102,753</b>	<b>113,282</b>	<b>83,662</b>	<b>99,507</b>	<b>109,446</b>	<b>128,974</b>	<b>387,947</b>	<b>421,589</b>	<b>484,678</b>
Operating expenses	(47,811)	(52,652)	(56,604)	(64,352)	(46,912)	(54,902)	(57,329)	(66,637)	(221,419)	(225,779)	(231,134)
<b>Operating profit</b>	<b>40,523</b>	<b>30,925</b>	<b>46,150</b>	<b>48,930</b>	<b>36,751</b>	<b>44,604</b>	<b>52,117</b>	<b>62,338</b>	<b>166,528</b>	<b>195,810</b>	<b>253,544</b>
Depreciation of fixed assets	(18,039)	(19,746)	(20,828)	(20,059)	(19,473)	(18,745)	(29,904)	(51,495)	(78,672)	(119,617)	(128,720)
Amortisation of intangible assets	(1,502)	(1,429)	(1,574)	(1,229)	(792)	(743)	(1,348)	(2,508)	(5,734)	(5,390)	(5,390)
<b>EBITDA</b>	<b>60,064</b>	<b>52,101</b>	<b>68,552</b>	<b>70,218</b>	<b>57,016</b>	<b>64,092</b>	<b>83,369</b>	<b>116,340</b>	<b>250,934</b>	<b>320,817</b>	<b>387,655</b>
Interest income	16,530	22,572	20,869	21,730	15,437	11,799	14,234	15,467	81,700	56,937	59,723
Investment income	356	1,269	2,835	762	310	1,371	1,500	2,319	5,222	5,500	12,000
Other non-op income	1,032	9,744	5,111	11,715	905	2,974	700	9,421	27,603	14,000	8,000
<b>Non-operating income</b>	<b>17,918</b>	<b>33,585</b>	<b>28,815</b>	<b>34,207</b>	<b>16,652</b>	<b>16,144</b>	<b>16,434</b>	<b>27,207</b>	<b>114,525</b>	<b>76,437</b>	<b>79,723</b>
Interest expense	(14,752)	(16,805)	(17,747)	(16,239)	(10,636)	(9,263)	(10,043)	(10,231)	(65,543)	(40,174)	(41,019)
Investment loss	(18,952)	-	-	-	(10,649)	-	-	-	(18,952)	(10,649)	(8,000)
Other non-op expenses	(4,334)	-	-	-	392	(3,085)	-	(9,107)	(4,334)	(11,800)	(4,000)
<b>Non-operating expenses</b>	<b>(38,038)</b>	<b>(16,805)</b>	<b>(17,747)</b>	<b>(16,239)</b>	<b>(20,894)</b>	<b>(12,348)</b>	<b>(10,043)</b>	<b>(19,337)</b>	<b>(88,829)</b>	<b>(62,623)</b>	<b>(53,019)</b>
<b>Pre-tax profit</b>	<b>20,403</b>	<b>47,705</b>	<b>57,217</b>	<b>66,898</b>	<b>32,509</b>	<b>48,400</b>	<b>58,508</b>	<b>70,207</b>	<b>192,224</b>	<b>209,624</b>	<b>280,248</b>
Current taxation	(6,804)	(12,262)	(9,727)	(8,641)	(7,636)	(9,455)	(11,702)	(12,084)	(37,435)	(40,877)	(54,648)
Minorities	(775)	(2,443)	(4,362)	(5,112)	(2,864)	(3,900)	(3,680)	(2,357)	(12,691)	(12,800)	(14,000)
<b>Normalised net profit</b>	<b>12,825</b>	<b>33,001</b>	<b>43,128</b>	<b>53,145</b>	<b>22,009</b>	<b>35,045</b>	<b>43,126</b>	<b>55,767</b>	<b>142,098</b>	<b>155,947</b>	<b>211,599</b>
Extraordinary items	(0)	(0)	(0)	0	0	0	-	(0)	-	-	-
<b>Net profit</b>	<b>12,825</b>	<b>33,001</b>	<b>43,128</b>	<b>53,145</b>	<b>22,009</b>	<b>35,045</b>	<b>43,126</b>	<b>55,767</b>	<b>142,098</b>	<b>155,947</b>	<b>211,599</b>
EPS (NT\$)	0.93	2.38	3.11	3.83	1.59	2.53	3.11	4.02	10.25	11.25	15.26
<b>Margins (%)</b>											
Gross profit margin	6.0	6.4	6.7	6.1	6.3	6.4	6.3	6.0	6.3	6.2	5.8
Operating margin	2.8	2.4	3.0	2.6	2.8	2.9	3.0	2.9	2.7	2.9	3.0
EBITDA margin	4.1	4.0	4.4	3.8	4.3	4.1	4.8	5.4	4.1	4.7	4.7
Pretax profit margin	1.4	3.7	3.7	3.6	2.5	3.1	3.4	3.3	3.1	3.1	3.4
Net profit margin	0.9	2.5	2.8	2.9	1.7	2.3	2.5	2.6	2.3	2.3	2.5
<b>Margins (%)</b>											
Gross profit margin	6.0	6.4	6.7	6.1	6.3	6.4	6.3	6.0	6.3	6.2	5.8
Operating margin	2.8	2.4	3.0	2.6	2.8	2.9	3.0	2.9	2.7	2.9	3.0
EBITDA margin	4.1	4.0	4.4	3.8	4.3	4.1	4.8	5.4	4.1	4.7	4.7
Pretax profit margin	1.4	3.7	3.7	3.6	2.5	3.1	3.4	3.3	3.1	3.1	3.4
Net profit margin	0.9	2.5	2.8	2.9	1.7	2.3	2.5	2.6	2.3	2.3	2.5
<b>Sequential growth (%)</b>											
Revenue growth	(25.5)	(10.8)	18.3	20.0	(28.5)	17.1	12.0	23.7			
Gross profit growth	(20.5)	(5.4)	22.9	10.2	(26.1)	18.9	10.0	17.8			
Operating profit growth	(8.4)	(23.7)	49.2	6.0	(24.9)	21.4	16.8	19.6			
EBITDA growth	(8.5)	(13.3)	31.6	2.4	(18.8)	12.4	30.1	39.5			
Pretax profit growth	(61.1)	133.8	19.9	16.9	(51.4)	48.9	20.9	20.0			
Net profit growth	(67.9)	157.3	30.7	23.2	(58.6)	59.2	23.1	29.3			
<b>YoY growth (%)</b>											
Revenue growth	3.9	(13.6)	(11.6)	(5.7)	(9.5)	18.9	12.6	16.1	(7.0)	9.7	23.0
Gross profit growth	4.2	(13.5)	(4.5)	2.0	(5.3)	19.1	6.5	13.9	(3.0)	8.7	15.0
Operating profit growth	10.5	(30.2)	(4.9)	10.6	(9.3)	44.2	12.9	27.4	(4.2)	17.6	29.5
EBITDA growth	11.1	(22.7)	8.5	6.9	(5.1)	23.0	21.6	65.7	0.3	27.8	20.8
Pretax profit growth	(44.7)	1.6	11.8	27.5	59.3	1.5	2.3	4.9	2.5	9.1	33.7
Net profit growth	(56.5)	(0.9)	11.3	32.9	71.6	6.2	(0.0)	4.9	0.4	9.7	35.7

Source: Company data; KGI Research estimates



**Balance sheet**

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Total assets</b>	<b>3,908,878</b>	<b>4,133,974</b>	<b>3,939,789</b>	<b>4,095,763</b>	<b>4,454,566</b>
<b>Current assets</b>	<b>3,034,417</b>	<b>3,200,506</b>	<b>3,035,966</b>	<b>3,190,953</b>	<b>3,551,023</b>
Cash & ST securities	1,110,661	1,084,732	1,350,230	1,353,652	1,300,699
Inventory	672,145	939,022	730,765	800,138	990,807
Accounts receivable	1,161,219	1,098,690	872,270	954,462	1,176,817
Other current assets	90,393	78,062	82,700	82,700	82,700
<b>Non-current assets</b>	<b>874,461</b>	<b>933,469</b>	<b>903,823</b>	<b>904,810</b>	<b>903,543</b>
LT investments	429,600	435,825	393,134	398,737	396,191
Net fixed assets	310,107	362,405	393,967	389,351	390,631
Other assets	134,754	135,239	116,722	116,722	116,722
<b>Total liabilities</b>	<b>2,335,618</b>	<b>2,483,443</b>	<b>2,253,545</b>	<b>2,322,928</b>	<b>2,567,607</b>
<b>Current liabilities</b>	<b>1,997,680</b>	<b>2,113,814</b>	<b>1,909,335</b>	<b>1,966,066</b>	<b>2,192,630</b>
Accounts payable	1,076,178	1,068,941	893,119	977,905	1,210,934
Interest bearing ST liabilities	608,958	647,194	648,993	613,643	577,860
Other current liabilities	312,544	397,678	367,222	374,518	403,837
<b>Non-current liabilities</b>	<b>337,938</b>	<b>369,630</b>	<b>344,211</b>	<b>356,862</b>	<b>374,976</b>
Long-term debt	275,600	301,017	271,625	284,277	302,391
Other L-T liabilities	44,121	51,151	55,874	55,874	55,874
<b>Total equity</b>	<b>1,573,260</b>	<b>1,650,531</b>	<b>1,686,244</b>	<b>1,772,835</b>	<b>1,886,959</b>
Share capital	138,630	138,630	138,630	138,630	138,630
Retained earnings reserve	871,193	925,890	987,704	1,061,495	1,161,620
Minority interests	192,803	199,986	193,135	205,935	219,935
Preferred shareholders funds	-	-	-	-	-

**Key ratios**

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Growth</b>					
Revenue growth	11.9%	10.6%	(7.0%)	9.7%	23.0%
Operating profit growth	34.4%	16.7%	(4.2%)	17.6%	29.5%
EBITDA growth	27.6%	11.5%	0.3%	27.8%	20.8%
Net profit growth	36.9%	1.6%	0.4%	9.7%	35.7%
EPS growth	36.9%	1.6%	0.4%	9.7%	35.7%
<b>Profitability</b>					
Gross profit margin	6.0%	6.0%	6.3%	6.2%	5.8%
Operating margin	2.5%	2.6%	2.7%	2.9%	3.0%
EBITDA margin	3.7%	3.8%	4.1%	4.7%	4.7%
Net profit margin	2.3%	2.1%	2.3%	2.3%	2.5%
Return on average assets	3.7%	3.5%	3.5%	3.9%	4.9%
Return on average equity	10.4%	10.0%	9.7%	10.2%	13.1%
<b>Stability</b>					
Gross debt to equity	56.2%	57.4%	54.6%	50.6%	46.6%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	9.8	6.4	3.9	6.2	7.8
Interest & ST debt coverage (x)	0.2	0.2	0.2	0.2	0.3
Cash flow interest coverage(x)	(4.5)	3.2	6.8	5.5	3.9
Cash flow/int. & ST debt (x)	(0.2)	0.2	0.6	0.3	0.3
Current ratio (x)	1.5	1.5	1.6	1.6	1.6
Quick ratio (x)	1.2	1.1	1.2	1.2	1.2
Net debt (NT\$m)	(174,860)	(114,115)	(277,044)	(303,165)	(267,881)
<b>Per share data</b>					
EPS (NT\$)	10.05	10.21	10.25	11.25	15.26
CFPS (NT\$)	(7.09)	7.91	32.14	15.82	11.67
BVPS (NT\$)	99.58	104.63	107.70	113.03	120.25
Adj BVPS (NT\$)	99.59	104.65	107.72	113.03	120.25
SPS (NT\$)	432.43	478.09	444.56	487.73	599.71
EBITDA/share (NT\$)	16.19	18.05	18.10	23.14	27.96
Cash DPS (NT\$)	5.20	5.30	5.40	5.93	8.04
<b>Activity</b>					
Sales / avg assets	1.58	1.65	1.53	1.68	1.94
Days receivable	70.7	60.5	51.7	51.7	51.7
Days inventory	43.6	55.0	46.2	46.2	46.2
Days payable	69.7	62.7	56.5	56.5	56.5
Cash cycle	44.5	52.9	41.4	41.4	41.4

Source: Company data; KGI Research estimates

**Profit & loss**

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Revenue</b>	<b>5,994,174</b>	<b>6,626,997</b>	<b>6,162,221</b>	<b>6,761,348</b>	<b>8,313,714</b>
Cost of goods sold	(5,632,047)	(6,226,912)	(5,774,274)	(6,339,759)	(7,829,036)
<b>Gross profit</b>	<b>362,127</b>	<b>400,085</b>	<b>387,947</b>	<b>421,589</b>	<b>484,678</b>
Operating expenses	(213,168)	(226,297)	(221,419)	(225,779)	(231,134)
<b>Operating profit</b>	<b>148,959</b>	<b>173,788</b>	<b>166,528</b>	<b>195,810</b>	<b>253,544</b>
<b>Non-operating income</b>	<b>66,044</b>	<b>64,268</b>	<b>114,525</b>	<b>76,437</b>	<b>79,723</b>
Interest income	32,456	43,303	81,700	56,937	59,723
Investment income	28,660	11,063	5,222	5,500	12,000
Other non-op income	4,928	9,902	27,603	14,000	8,000
<b>Non-operating expenses</b>	<b>(21,432)</b>	<b>(50,544)</b>	<b>(88,829)</b>	<b>(62,623)</b>	<b>(53,019)</b>
Interest expense	(21,958)	(34,736)	(65,543)	(40,174)	(41,019)
Investment loss	-	-	(18,952)	(10,649)	(8,000)
Other non-op expenses	527	(15,808)	(4,334)	(11,800)	(4,000)
<b>Pre-tax profit</b>	<b>193,572</b>	<b>187,511</b>	<b>192,224</b>	<b>209,624</b>	<b>280,248</b>
Current taxation	(39,749)	(36,440)	(37,435)	(40,877)	(54,648)
Minorities	(14,503)	(9,589)	(12,691)	(12,800)	(14,000)
Extraordinary items	-	0	(0)	-	-
<b>Net profit</b>	<b>139,320</b>	<b>141,483</b>	<b>142,098</b>	<b>155,947</b>	<b>211,599</b>
<b>EBITDA</b>	<b>224,441</b>	<b>250,248</b>	<b>250,934</b>	<b>320,817</b>	<b>387,655</b>
EPS (NT\$)	10.05	10.21	10.25	11.25	15.26

**Cash flow**

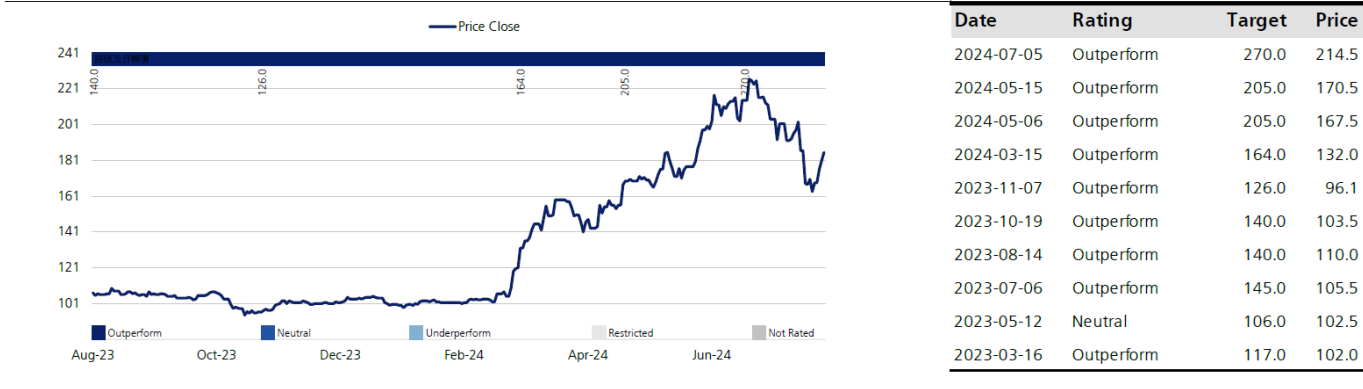
NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Operations cash flow</b>	<b>(98,212)</b>	<b>109,708</b>	<b>445,553</b>	<b>219,324</b>	<b>161,716</b>
Net profit	139,320	141,483	142,098	155,947	211,599
Depreciation & amortisation	75,481	76,460	84,406	125,007	134,111
Decrease in working capital	(302,448)	(197,434)	247,995	(66,780)	(179,994)
Other operating cash flow	(10,565)	89,199	(28,946)	5,149	(4,000)
<b>Investing cash flow</b>	<b>(92,083)</b>	<b>(45,440)</b>	<b>(137,874)</b>	<b>(131,143)</b>	<b>(128,844)</b>
Sale of ST investment	(31,480)	29,944	(132,622)	-	-
New investments	(7,662)	(45,351)	23,845	(10,753)	6,546
Capital expenditure	(92,296)	(97,935)	(111,745)	(115,000)	(130,000)
Others investing cashflow	39,355	67,902	82,647	(5,390)	(5,390)
<b>Free cash flow</b>	<b>(206,247)</b>	<b>(84,746)</b>	<b>349,020</b>	<b>95,464</b>	<b>22,829</b>
<b>Financing cash flow</b>	<b>24,281</b>	<b>(87,872)</b>	<b>(160,638)</b>	<b>(84,759)</b>	<b>(85,825)</b>
Increase in short term debt	99,435	23,682	(74,237)	(40,000)	(40,000)
Increase in long term loans	28,293	7,242	27,361	17,301	22,331
New ordinary shares issued	5,000	(7,763)	4,805	-	-
Ordinary dividends paid	(58,745)	(79,026)	(80,722)	(74,860)	(82,156)
Other financing cashflow	(49,702)	(32,006)	(37,845)	12,800	14,000
<b>Forex effects</b>	<b>(7,363)</b>	<b>26,512</b>	<b>(11,704)</b>	-	-
<b>Total cash generated</b>	<b>(173,377)</b>	<b>2,909</b>	<b>135,336</b>	<b>3,422</b>	<b>(52,953)</b>

**ROIC**

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	3.6%	3.4%	3.6%	3.3%	2.8%
<b>= Operating margin</b>	<b>2.5%</b>	<b>2.6%</b>	<b>2.7%</b>	<b>2.9%</b>	<b>3.0%</b>
1 / Working capital/revenue	0.1	0.1	0.1	0.1	0.1
+ Net PPE/revenue	0.1	0.1	0.1	0.1	0.0
+ Other assets/revenue	0.0	0.0	0.0	0.0	0.0
<b>= Capital turnover</b>	<b>6.9</b>	<b>6.4</b>	<b>7.4</b>	<b>7.6</b>	<b>8.0</b>
Operating margin	2.5%	2.6%	2.7%	2.9%	3.0%
x Capital turnover	6.9	6.4	7.4	7.6	8.0
x (1 - tax rate)	79.5%	80.6%	80.5%	80.5%	80.5%
<b>= After-tax ROIC</b>	<b>13.5%</b>	<b>13.5%</b>	<b>16.1%</b>	<b>17.7%</b>	<b>19.6%</b>

Source: Company data; KGI Research estimates

**Hon Hai – Recommendation & target price history**



Source: TEJ; KGI Research

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