

IT Hardware - AI ODM

AI server demand to boost 2025F sales growth to a peak

Key message

1. January sales for most ODMs were better than expected on strong server business, while NB shipments slid 25% MoM for the top five ODMs.
2. 1Q25 sales have been better than expected. We expect Quanta Computer (2382 TT, NT\$258, OP) to see QoQ sales growth on a low 4Q24 base, while Wiyynn (6669 TT, NT\$2,220, OP) and Wistron (3231 TT, NT\$108.5, OP) will likely arrive flat QoQ, and Hon Hai Precision (2317 TT, NT\$177, OP) and Inventec (2356 TT, NT\$46.45, N) will see sales decline QoQ.
3. GB200 rack mass production has started in February, and we estimate 25-30k racks will be produced in 1Q25F. We expect a more significant rebound in 2Q25F, which will mainly benefit Hon Hai and Quanta. ASIC AI will continue to benefit Wiyynn. ODM 2025F sales and earnings growth will be robust, but YoY sales growth will peak in 2025, leading to a valuation derating. We lower our average target PE to 18x for most AI ODMs.

Event

As January sales have been announced, we review Taiwan ODMs' 1Q25 sales outlook and 4Q24 earnings. We expect stronger 1Q25 sales and a 2Q25 sales uptrend.

Impact

Hon Hai Precision (2317 TT, NT\$177, OP). January sales arrived at NT\$539bn, down 18% MoM, but up 3% YoY, with AI servers being the main driver, helping to offset low seasonality for other products. The firm raised 1Q25 sales growth guidance to over 15% YoY growth on improved visibility. We forecast 1Q25 sales will fall 22% QoQ, but grow 26% YoY, better than our previous estimate on GB200 AI server mass production. January sales accounted for 32% of our 1Q25 revised sales forecast. The firm will announce 4Q24 earnings results on March 14. We forecast 4Q24 EPS of NT\$3.94, above consensus on better-than-expected sales growth, up 15% QoQ and YoY. We revise up 2024F and 2025F EPS to a respective NT\$11.61, up 13%, and NT\$14.71, up 27%.

Quanta Computer (2382 TT, NT\$258, OP). January sales totaled NT\$143bn, up 3% MoM and 95% YoY. NB shipments fell 35% MoM, but January sales were bolstered by cloud server sales, mainly general servers. January sales accounted for 33% of our 1Q25 sales forecast (up 5% QoQ), and we maintain this forecast and believe GB200 mass production after mid-February will fuel more significant 2Q25 QoQ sales growth. It will announce 4Q24 earnings results by the end of February or in early March. Despite 4Q24 sales falling 2% QoQ, and operating margin contraction on an unfavorable product mix, we expect positive forex rates to help compensate. We revise up 4Q24F EPS to NT\$3.51, and estimate 2024 EPS of NT\$14.87, up 45%, and 2025 EPS of NT\$19.32, up 30%.

Wiyynn (6669 TT, NT\$2,220, OP). January sales came in at NT\$37.5bn, down 12% MoM, but up 100% YoY, with general server sales growth. The 4Q24 AI server sales weighting was over 30%, up from 20% in 1H24, mainly on Amazon Web Services' (AWS;US) Trainium 2 project ramp-up. However, this weighting fell from a peak of around 40% in December to around 30% in January. We revise up 1Q25F sales to a 1% QoQ decline. January sales accounted for 33% of our 1Q25 forecast. We expect AI server sales in 1H25F to be largely made up of ASIC, with higher GPU AI server sales in 2H25F on new clients. We estimate gross margin will fall in 2H25F, but operating margin to be stable. We forecast 2025 EPS of NT\$158.16, up 25%, versus 2024 preliminary EPS of NT\$126.57.

Wistron (3231 TT, NT\$108.5, OP). January sales totaled NT\$90.8bn, down 14% MoM but up 35% YoY, driven by server sales growth offsetting a 17% MoM drop in NB shipments. AI GPU (Hopper baseboard and GB200 compute board), GB200 system, and Wiyynn ASIC AI sales have been the main drivers for 1Q25 sales, and are expected to be flat QoQ, better than estimated, despite a single-digit QoQ NB shipment decline. January sales were close to 30% of our 1Q25 estimate. 4Q24 EPS reflected a 4% operating margin, down QoQ due to Wiyynn's margin decline. We forecast operating margin improvement in 2025F will boost EPS to NT\$8.41, up 38%, versus 2024 preliminary EPS of NT\$6.11.

Inventec (2356 TT, NT\$46.45, N). January sales arrived at NT\$45.8bn, down 37% MoM, but up 4% YoY, with a server sales decline on a high base in 4Q24, and a NB shipment drop of 25% MoM. With NB shipments set to decline 15% QoQ in 1Q25F, and server sales facing slow seasonality, we forecast 1Q25 sales will fall 22% QoQ, but improve QoQ in 2Q25 on Blackwell AI server ramp-up. Server sales weighting rose to 49% in 4Q24, from 44% in 3Q24, but it is likely to fall in 1Q25. We expect 4Q24 operating margin is a peak, and expect it to narrow in 1Q25F. We forecast 4Q24 EPS of NT\$0.77, 2024 EPS of NT\$2.13, up 25% YoY, and 2025 EPS of NT\$2.73, up 28% YoY, on weak 1H25F sales.

Stocks for Action

Hon Hai and Quanta will benefit most from the GB200 shipment ramp-up, while Wiyynn will gain from ASIC AI sales. With 2025F sales growth peaking and tariff impacts looming, we lower our 2025 target PE to 18x for most AI ODMs. Target prices: NT\$265 for Hon Hai, NT\$348 for Quanta, NT\$2,770 for Wiyynn, NT\$135 for Wistron, and NT\$50 for Inventec. We maintain an Outperform rating for Hon Hai, Quanta, Wiyynn, and Wistron.

Risks

Weak demand; margin contractions.

Figure 1: ODMs' 4Q24 revenue was a beat; upward revisions to most ODMs' 1Q25F sales forecasts

| Company | Ticker | 4Q24F | | | | 1Q25F | | | 2024F | | 2025F | |
|----------|---------|----------------|---------------|-----------------------|------------|---------------|---------------|----------|------------|---------|------------|---------|
| | | Sales (NT\$mn) | Sales QoQ (%) | vs. forecast/guidance | EPS (NT\$) | Sales QoQ (%) | Sales YoY (%) | Revision | EPS (NT\$) | YoY (%) | EPS (NT\$) | YoY (%) |
| Hon Hai | 2317 TT | 2,132,258 | 15.0 | beat | 3.94 | (22.0) | 25.6 | Upward | 11.61 | 13.3 | 14.71 | 26.7 |
| Quanta | 2382 TT | 415,662 | (2.1) | beat | 3.51 | 5.0 | 68.6 | Upward | 14.87 | 44.5 | 19.32 | 29.9 |
| Wiwynn* | 6669 TT | 115,614 | 18.2 | beat | 37.92 | (1.0) | 64.4 | Upward | 126.57 | 83.7 | 158.16 | 25 |
| Wistron* | 3231 TT | 297,182 | 9.0 | beat | 1.85 | 0.5 | 24.8 | Upward | 6.11 | 49.8 | 8.41 | 37.6 |
| Inventec | 2356 TT | 197,806 | 20.7 | beat | 0.77 | (22.0) | 18.2 | Downward | 2.13 | 24.8 | 2.73 | 27.8 |

Source: KGI Research estimates; Bloomberg

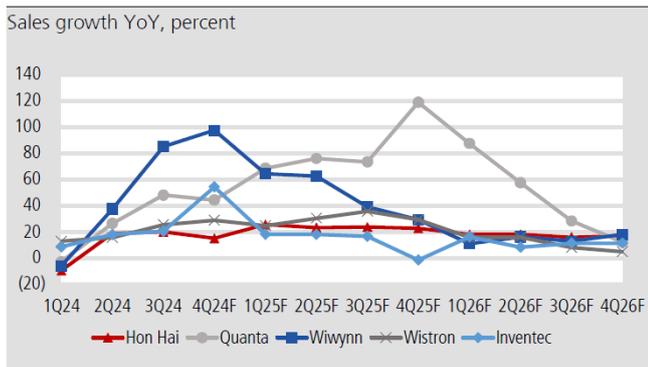
* 4Q24F EPS is based on preliminary results announcement

Figure 2: For the top five ODMs, NB shipments were flat YoY in 2024, but will resume YoY growth in 2025F

| NB shipment (mn units) | | | | | | | | | | | | | | | | | | | | |
|------------------------|----------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|--------------|
| Ticker | Company | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25F | 2020 | 2021 | 2022 | 2023 | 2024 | 2025F |
| 2382 TT | Quanta | 16.9 | 12.4 | 15.6 | 12.8 | 10.8 | 12.6 | 13.1 | 10.4 | 10.5 | 11.7 | 12.6 | 11.1 | 10.0 | 59.8 | 75.3 | 57.7 | 46.9 | 45.9 | 47.3 |
| 2324 TT | Compal | 11.8 | 10.4 | 9.3 | 7.8 | 7.6 | 8.7 | 9.3 | 8.3 | 7.5 | 8.7 | 8.3 | 7.8 | 7.3 | 47.8 | 57.5 | 39.3 | 33.9 | 32.3 | 33.9 |
| 3231 TT | Wistron | 5.6 | 5.8 | 5.2 | 4.6 | 3.9 | 4.6 | 5.2 | 5.3 | 4.6 | 5.1 | 5.2 | 5.3 | 4.9 | 20.4 | 25.6 | 21.2 | 19.1 | 20.2 | 20.6 |
| 2356 TT | Inventec | 5.0 | 5.4 | 5.0 | 4.4 | 4.4 | 4.9 | 4.9 | 4.5 | 4.5 | 4.9 | 5.2 | 5.4 | 4.6 | 20.0 | 21.3 | 19.8 | 18.7 | 20.0 | 21.4 |
| 4938 TT | Pegatron | 2.4 | 2.0 | 2.1 | 1.6 | 1.7 | 2.1 | 2.5 | 1.7 | 1.6 | 2.0 | 2.5 | 2.0 | 1.8 | 10.2 | 10.4 | 8.0 | 8.0 | 8.0 | 8.2 |
| Top-5 NB ODM | | 41.7 | 36.0 | 37.2 | 31.2 | 28.4 | 32.9 | 35.0 | 30.2 | 28.7 | 32.4 | 33.8 | 31.6 | 28.5 | 158.1 | 190.1 | 146.0 | 126.6 | 126.4 | 131.4 |
| YoY (%) | | | | | | | | | | | | | | | | | | | | |
| 2382 TT | Quanta | (11.1) | (34.7) | (10.3) | (35.7) | (36.1) | 1.6 | (16.0) | (18.8) | (2.8) | (7.1) | (3.8) | 6.7 | (4.9) | 70.4 | 25.9 | (23.4) | (18.7) | (2.1) | 3.0 |
| 2324 TT | Compal | (9.9) | (20.0) | (39.2) | (51.6) | (35.6) | (16.3) | 0.0 | 6.4 | (1.3) | 0.0 | (10.8) | (6.0) | (2.2) | 8.8 | 20.4 | (31.7) | (13.7) | (4.7) | 5.0 |
| 3231 TT | Wistron | 3.7 | (4.9) | (21.2) | (38.7) | (30.4) | (20.7) | 0.0 | 15.2 | 17.9 | 10.9 | 0.0 | 0.0 | 6.0 | 16.3 | 25.8 | (17.2) | (9.9) | 5.8 | 2.0 |
| 2356 TT | Inventec | 4.2 | 8.0 | (15.3) | (21.4) | (12.0) | (9.3) | (2.0) | 2.3 | 2.3 | 0.0 | 6.1 | 20.0 | 2.0 | 6.1 | 6.5 | (7.0) | (5.6) | 7.0 | 7.0 |
| 4938 TT | Pegatron | 4.2 | (17.3) | (21.3) | (48.4) | (28.7) | 4.5 | 19.9 | 3.1 | (7.5) | (3.4) | (1.0) | 18.2 | 13.2 | 1.3 | 2.1 | (22.9) | (0.2) | (0.3) | 3.0 |
| Top-5 NB ODM | | (6.5) | (20.9) | (22.3) | (40.2) | (31.9) | (8.6) | (5.9) | (3.4) | 1.0 | (1.4) | (3.5) | 4.6 | (0.4) | 26.1 | 20.2 | (23.2) | (13.3) | (0.2) | 4.0 |
| QoQ(%) | | | | | | | | | | | | | | | | | | | | |
| 2382 TT | Quanta | (15.1) | (26.6) | 25.8 | (17.9) | (15.6) | 16.7 | 4.0 | (20.6) | 1.0 | 11.4 | 7.7 | (11.9) | (10.0) | | | | | | |
| 2324 TT | Compal | (26.7) | (11.9) | (10.6) | (16.1) | (2.6) | 14.5 | 6.9 | (10.8) | (9.6) | 16.0 | (4.6) | (6.0) | (6.0) | | | | | | |
| 3231 TT | Wistron | (25.3) | 3.6 | (10.3) | (11.5) | (15.2) | 17.9 | 13.0 | 1.9 | (13.2) | 10.9 | 2.0 | 1.9 | (8.0) | | | | | | |
| 2356 TT | Inventec | (10.7) | 8.0 | (7.4) | (12.0) | 0.0 | 11.4 | 0.0 | (8.2) | 0.0 | 8.9 | 6.1 | 3.8 | (15.0) | | | | | | |
| 4938 TT | Pegatron | (24.2) | (15.5) | 5.0 | (23.3) | 4.7 | 23.9 | 20.5 | (34.0) | (6.1) | 29.4 | 23.4 | (21.2) | (10.0) | | | | | | |
| Top-5 NB ODM | | (20.2) | (13.6) | 3.3 | (16.1) | (9.1) | 15.9 | 6.5 | (13.9) | (5.0) | 13.1 | 4.2 | (6.6) | (9.5) | | | | | | |

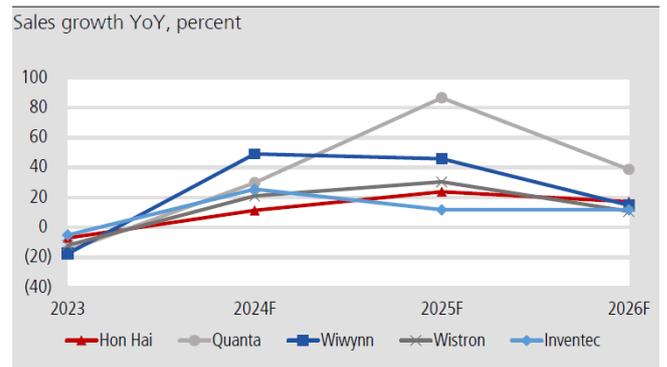
Source: Company data; KGI Research estimates

Figure 3: Most ODM's YoY sales growth will peak in 2025F



Source: Company data; KGI Research estimates

Figure 4: ODMs' YoY sales growth will peak in 2025F



Source: Company data; KGI Research estimates

Figure 5: Hon Hai – Breakdown of 4Q24 & 1Q25 forecast revisions vs. consensus

| NT\$m | 4Q24F | | | | | | | 1Q25F | | | | | | |
|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Revision | Previous | Chg. (%) | QoQ (%) | YoY (%) | Consensus | Diff. (%) | Revision | Previous | Chg. (%) | QoQ (%) | YoY (%) | Consensus | Diff. (%) |
| Sales | 2,132,258 | 2,068,615 | 3.1 | 15.0 | 15.1 | 2,094,084 | 1.8 | 1,663,162 | 1,613,520 | 3.1 | (22.0) | 25.6 | 1,607,034 | 3.5 |
| Gross profits | 127,936 | 124,117 | 3.1 | 11.5 | 12.9 | 127,844 | 0.1 | 98,127 | 95,198 | 3.1 | (23.3) | 17.3 | 99,877 | (1.8) |
| Operating income | 66,100 | 64,127 | 3.1 | 20.7 | 35.1 | 61,617 | 7.3 | 44,905 | 43,565 | 3.1 | (32.1) | 22.2 | 46,249 | (2.9) |
| Pretax Income | 73,746 | 71,881 | 2.6 | 9.0 | 10.2 | 70,655 | 4.4 | 51,898 | 50,324 | 3.1 | (29.6) | 59.6 | 52,966 | (2.0) |
| Net income | 54,579 | 53,077 | 2.8 | 10.7 | 2.7 | 53,065 | 2.9 | 37,288 | 36,013 | 3.5 | (31.7) | 69.4 | 37,833 | (1.4) |
| EPS (NT\$) | 3.94 | 3.83 | 2.8 | 10.7 | 2.7 | 3.83 | 2.9 | 2.69 | 2.60 | 3.5 | (31.7) | 69.4 | 2.73 | (1.4) |
| Gross margin (%) | 6.0 | 6.0 | 0.0 ppts | (0.2)ppts | (0.1)ppts | 6.1 | (0.1)ppts | 5.9 | 5.9 | 0.0 ppts | (0.1)ppts | (0.4)ppts | 6.2 | (0.3)ppts |
| OP margin (%) | 3.1 | 3.1 | 0.0 ppts | 0.1 ppts | 0.5 ppts | 2.9 | 0.2 ppts | 2.7 | 2.7 | (0.0)ppts | (0.4)ppts | (0.1)ppts | 2.9 | (0.2)ppts |
| Net margin (%) | 2.6 | 2.6 | (0.0)ppts | (0.1)ppts | (0.3)ppts | 2.5 | 0.1 ppts | 2.2 | 2.2 | 0.0 ppts | (0.3)ppts | 0.6 ppts | 2.4 | (0.2)ppts |

Source: KGI Research estimates; Bloomberg

Figure 6: Hon Hai - Breakdown of 2024-25 forecast revisions vs. consensus

| NT\$m | 2024F | | | | | | 2025F | | | | | |
|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|-----------|-----------|-----------|
| | Revision | Previous | Chg. (%) | YoY (%) | Consensus | Diff. (%) | Revision | Previous | Chg. (%) | YoY (%) | Consensus | Diff. (%) |
| Sales | 6,861,370 | 6,797,726 | 0.9 | 11.3 | 6,828,037 | 0.5 | 8,487,446 | 8,479,045 | 0.1 | 23.7 | 8,454,464 | 0.4 |
| Gross profit | 425,838 | 422,019 | 0.9 | 9.8 | 423,338 | 0.6 | 479,020 | 474,657 | 0.9 | 12.5 | 515,722 | (7.1) |
| Operating income | 202,226 | 200,253 | 1.0 | 21.4 | 197,678 | 2.3 | 248,887 | 246,005 | 1.2 | 23.1 | 252,373 | (1.4) |
| Pretax Income | 222,308 | 220,442 | 0.8 | 15.7 | 218,965 | 1.5 | 276,859 | 273,042 | 1.4 | 24.5 | 279,968 | (1.1) |
| Net income | 160,958 | 159,456 | 0.9 | 13.3 | 158,899 | 1.3 | 203,871 | 200,799 | 1.5 | 26.7 | 204,656 | (0.4) |
| EPS (NT\$) | 11.61 | 11.50 | 0.9 | 13.3 | 11.46 | 1.3 | 14.71 | 14.48 | 1.5 | 26.7 | 14.76 | (0.4) |
| Gross margin (%) | 6.2 | 6.2 | (0.0)ppts | (0.1)ppts | 6.2 | 0.0 ppts | 5.6 | 5.6 | 0.0 ppts | (0.6)ppts | 6.1 | (0.5)ppts |
| OP margin (%) | 2.9 | 2.9 | 0.0 ppts | 0.2 ppts | 2.9 | 0.0 ppts | 2.9 | 2.9 | 0.0 ppts | (0.0)ppts | 3.0 | (0.1)ppts |
| Net margin (%) | 2.3 | 2.3 | 0.0 ppts | 0.0 ppts | 2.3 | 0.0 ppts | 2.4 | 2.4 | 0.0 ppts | 0.1 ppts | 2.4 | 0.0 ppts |

Source: KGI Research estimates; Bloomberg

Figure 7: Quanta – Breakdown of 4Q24 & 1Q25 forecast revisions vs. consensus

| NT\$m | 4Q24F | | | | | | | 1Q25F | | | | | | |
|------------------|----------|----------|----------|-----------|-----------|-----------|-----------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| | Revision | Previous | Chg. (%) | QoQ (%) | YoY (%) | Consensus | Diff. (%) | Revision | Previous | Chg. (%) | QoQ (%) | YoY (%) | Consensus | Diff. (%) |
| Sales | 415,662 | 407,567 | 2.0 | (2.1) | 44.4 | 409,362 | 1.5 | 436,446 | 427,946 | 2.0 | 5.0 | 68.6 | 417,718 | 4.5 |
| Gross profits | 28,265 | 27,715 | 2.0 | (9.2) | 21.8 | 29,069 | (2.8) | 28,369 | 27,816 | 2.0 | 0.4 | 29.2 | 27,816 | 2.0 |
| Operating income | 17,042 | 16,710 | 2.0 | (12.9) | 44.3 | 17,186 | (0.8) | 17,021 | 16,690 | 2.0 | (0.1) | 45.5 | 15,766 | 8.0 |
| Pretax Income | 18,199 | 16,771 | 8.5 | (14.5) | 43.5 | 18,079 | 0.7 | 17,682 | 17,441 | 1.4 | (2.8) | 21.7 | 17,340 | 2.0 |
| Net income | 13,522 | 12,393 | 9.1 | (18.7) | 31.6 | 13,811 | (2.1) | 13,574 | 13,386 | 1.4 | 0.4 | 12.5 | 13,306 | 2.0 |
| EPS (NT\$) | 3.51 | 3.21 | 9.1 | (18.7) | 31.6 | 3.58 | (2.1) | 3.52 | 3.47 | 1.4 | 0.4 | 12.5 | 3.45 | 2.0 |
| Gross margin (%) | 6.8 | 6.8 | 0.0 ppts | (0.5)ppts | (1.3)ppts | 7.1 | (0.3)ppts | 6.5 | 6.5 | 0.0 ppts | (0.3)ppts | (2.0)ppts | 6.7 | (0.2)ppts |
| OP margin (%) | 4.1 | 4.1 | 0.0 ppts | (0.5)ppts | (0.0)ppts | 4.2 | (0.1)ppts | 3.9 | 3.9 | (0.0)ppts | (0.2)ppts | (0.6)ppts | 3.8 | 0.1 ppts |
| Net margin (%) | 3.3 | 3.0 | 0.2 ppts | (0.7)ppts | (0.3)ppts | 3.4 | (0.1)ppts | 3.1 | 3.1 | (0.0)ppts | (0.1)ppts | (1.6)ppts | 3.2 | (0.1)ppts |

Source: KGI Research estimates; Bloomberg

Figure 8: Quanta - Breakdown of 2024-25 forecast revisions vs. consensus

| NT\$m | 2024F | | | | | | 2025F | | | | | |
|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Revision | Previous | Chg. (%) | YoY (%) | Consensus | Diff. (%) | Revision | Previous | Chg. (%) | YoY (%) | Consensus | Diff. (%) |
| Sales | 1,409,105 | 1,401,010 | 0.6 | 29.8 | 1,404,593 | 0.3 | 2,628,084 | 2,576,901 | 2.0 | 86.5 | 2,329,562 | 12.8 |
| Gross profit | 107,948 | 107,398 | 0.5 | 27.2 | 109,558 | (1.5) | 143,788 | 140,988 | 2.0 | 33.2 | 144,433 | (0.4) |
| Operating income | 63,505 | 63,173 | 0.5 | 45.8 | 63,772 | (0.4) | 93,993 | 92,162 | 2.0 | 48.0 | 88,731 | 5.9 |
| Pretax Income | 73,609 | 72,180 | 2.0 | 42.3 | 73,729 | (0.2) | 96,634 | 95,165 | 1.5 | 31.3 | 94,494 | 2.3 |
| Net income | 57,351 | 56,223 | 2.0 | 44.5 | 57,865 | (0.9) | 74,504 | 73,359 | 1.6 | 29.9 | 72,599 | 2.6 |
| EPS (NT\$) | 14.87 | 14.58 | 2.0 | 44.5 | 15.01 | (0.9) | 19.32 | 19.03 | 1.6 | 29.9 | 18.83 | 2.6 |
| Gross margin (%) | 7.7 | 7.7 | (0.0)ppts | (0.2)ppts | 7.8 | (0.1)ppts | 5.5 | 5.5 | (0.0)ppts | (2.2)ppts | 6.2 | (0.7)ppts |
| OP margin (%) | 4.5 | 4.5 | (0.0)ppts | 0.5 ppts | 4.5 | 0.0 ppts | 3.6 | 3.6 | (0.0)ppts | (0.9)ppts | 3.8 | (0.2)ppts |
| Net margin (%) | 4.1 | 4.0 | 0.1 ppts | 0.4 ppts | 4.1 | (0.0)ppts | 2.8 | 2.8 | (0.0)ppts | (1.2)ppts | 3.1 | (0.3)ppts |

Source: KGI Research estimates; Bloomberg

Figure 9: Wiywynn – Breakdown of 4Q24 & 1Q25 forecast revisions vs. consensus

| NT\$m | 4Q24 | | | | | | | 1Q25F | | | | | | |
|------------------|--------------------|--------------|-----------|-----------|-----------|-----------|-----------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| | Preliminary result | KGI forecast | Diff. (%) | QoQ (%) | YoY (%) | Consensus | Diff. (%) | Revision | Previous | Chg. (%) | QoQ (%) | YoY (%) | Consensus | Diff. (%) |
| Sales | 115,614 | 108,578 | 6.5 | 18.2 | 97.5 | 109,319 | 5.8 | 114,457 | 96,635 | 18.4 | (1.0) | 64.4 | 110,153 | 3.9 |
| Gross profits | 10,874 | 10,858 | 0.1 | 4.2 | 68.3 | 10,956 | (0.7) | 11,217 | 10,147 | 10.5 | 3.2 | 45.6 | 10,537 | 6.5 |
| Operating income | 8,131 | 8,252 | (1.5) | 2.9 | 75.0 | 8,403 | (3.2) | 8,470 | 7,924 | 6.9 | 4.2 | 44.6 | 7,743 | 9.4 |
| Pretax Income | 8,782 | 8,222 | 6.8 | 10.6 | 97.0 | 8,310 | 5.7 | 8,305 | 7,759 | 7.0 | (5.4) | 40.7 | 7,725 | 7.5 |
| Net income | 7,047 | 6,718 | 4.9 | 11.4 | 100.5 | 6,588 | 7.0 | 6,644 | 6,208 | 7.0 | (5.7) | 41.1 | 6,141 | 8.2 |
| EPS (NT\$) | 37.92 | 36.15 | 4.9 | 10.4 | 88.6 | 35.45 | 7.0 | 35.75 | 33.40 | 7.0 | (5.7) | 32.8 | 33.04 | 8.2 |
| Gross margin (%) | 9.4 | 10.0 | (0.6)ppts | (1.3)ppts | (1.6)ppts | 10.0 | (0.6)ppts | 9.8 | 10.5 | (0.7)ppts | 0.4 ppts | (1.3)ppts | 9.6 | 0.2 ppts |
| OP margin (%) | 7.0 | 7.6 | (0.6)ppts | (1.0)ppts | (0.9)ppts | 7.7 | (0.7)ppts | 7.4 | 8.2 | (0.8)ppts | 0.4 ppts | (1.0)ppts | 7.0 | 0.4 ppts |
| Net margin (%) | 6.1 | 6.2 | (0.1)ppts | (0.4)ppts | 0.1 ppts | 6.0 | 0.1 ppts | 5.8 | 6.4 | (0.6)ppts | (0.3)ppts | (1.0)ppts | 5.6 | 0.2 ppts |

Source: KGI Research estimates; Bloomberg

Figure 10: Wiywynn – Breakdown of 2024-25 forecast revisions vs. consensus

| NT\$m | 2024 | | | | | | 2025F | | | | | |
|------------------|--------------------|--------------|-----------|----------|-----------|-----------|----------|----------|-----------|-----------|-----------|-----------|
| | Preliminary result | KGI forecast | Diff. (%) | YoY (%) | Consensus | Diff. (%) | Revision | Previous | Chg. (%) | YoY (%) | Consensus | Diff. (%) |
| Sales | 360,541 | 353,506 | 2.0 | 49.0 | 354,417 | 1.7 | 525,909 | 458,078 | 14.8 | 45.9 | 523,776 | 0.4 |
| Gross profit | 37,400 | 37,384 | 0.0 | 65.1 | 37,359 | 0.1 | 49,507 | 46,774 | 5.8 | 32.4 | 48,711 | 1.6 |
| Operating income | 28,099 | 28,220 | (0.4) | 77.1 | 28,349 | (0.9) | 37,630 | 36,697 | 2.5 | 33.9 | 36,499 | 3.1 |
| Pretax Income | 28,830 | 28,270 | 2.0 | 86.7 | 28,341 | 1.7 | 36,971 | 36,038 | 2.6 | 28.2 | 36,593 | 1.0 |
| Net income | 22,776 | 22,447 | 1.5 | 89.1 | 22,226 | 2.5 | 29,392 | 28,650 | 2.6 | 29.0 | 28,781 | 2.1 |
| EPS (NT\$) | 126.57 | 124.76 | 1.5 | 83.7 | 123.51 | 2.5 | 158.16 | 154.17 | 2.6 | 25.0 | 154.87 | 2.1 |
| Gross margin (%) | 10.4 | 10.6 | (0.2)ppts | 1.0 ppts | 10.5 | (0.2)ppts | 9.4 | 10.2 | (0.8)ppts | (1.0)ppts | 9.3 | 0.1 ppts |
| OP margin (%) | 7.8 | 8.0 | (0.2)ppts | 1.2 ppts | 8.0 | (0.2)ppts | 7.2 | 8.0 | (0.9)ppts | (0.6)ppts | 7.0 | 0.2 ppts |
| Net margin (%) | 6.3 | 6.3 | (0.0)ppts | 1.3 ppts | 6.3 | 0.0 ppts | 5.6 | 6.3 | (0.7)ppts | (0.7)ppts | 5.5 | 0.1 ppts |

Source: KGI Research estimates; Bloomberg

Figure 11: Wistron – Breakdown of 4Q24 & 1Q25 forecast revisions vs. consensus

| NT\$m | 4Q24 | | | | | | | 1Q25F | | | | | | |
|------------------|--------------------|--------------|-----------|-----------|-----------|-----------|-----------|----------|----------|-----------|-----------|----------|-----------|-----------|
| | Preliminary result | KGI forecast | Diff. (%) | QoQ (%) | YoY (%) | Consensus | Diff. (%) | Revision | Previous | Chg. (%) | QoQ (%) | YoY (%) | Consensus | Diff. (%) |
| Sales | 297,182 | 277,993 | 6.9 | 9.0 | 28.9 | 287,929 | 3.2 | 298,667 | 264,093 | 13.1 | 0.5 | 24.8 | 280,377 | 6.5 |
| Gross profits | 24,059 | 23,629 | 1.8 | 5.8 | 12.4 | 24,673 | (2.5) | 24,789 | 22,184 | 11.7 | 3.0 | 43.9 | 22,349 | 10.9 |
| Operating income | 11,860 | 11,954 | (0.8) | 3.9 | 12.6 | 12,526 | (5.3) | 12,245 | 10,828 | 13.1 | 3.3 | 73.5 | 10,583 | 15.7 |
| Pretax Income | 12,735 | 11,279 | 12.9 | 25.0 | 78.8 | 11,722 | 8.6 | 11,347 | 9,991 | 13.6 | (10.9) | 41.7 | 9,802 | 15.8 |
| Net income | 5,305 | 4,379 | 21.1 | 26.3 | 59.0 | 5,498 | (3.5) | 4,676 | 4,278 | 9.3 | (11.9) | 32.7 | 4,314 | 8.4 |
| EPS (NT\$) | 1.85 | 1.53 | 20.5 | 25.7 | 56.8 | 1.92 | (3.5) | 1.63 | 1.50 | 8.8 | (11.9) | 31.5 | 1.50 | 8.4 |
| Gross margin (%) | 8.1 | 8.5 | (0.4)ppts | (0.2)ppts | (1.2)ppts | 8.6 | (0.5)ppts | 8.3 | 8.4 | (0.1)ppts | 0.2 ppts | 1.1 ppts | 8.0 | 0.3 ppts |
| OP margin (%) | 4.0 | 4.3 | (0.3)ppts | (0.2)ppts | (0.6)ppts | 4.4 | (0.4)ppts | 4.1 | 4.1 | 0.0 ppts | 0.1 ppts | 1.2 ppts | 3.8 | 0.3 ppts |
| Net margin (%) | 1.8 | 1.6 | 0.2 ppts | 0.2 ppts | 0.3 ppts | 1.9 | (0.1)ppts | 1.6 | 1.6 | (0.1)ppts | (0.2)ppts | 0.1 ppts | 1.5 | 0.1 ppts |

Source: KGI Research estimates; Bloomberg

Figure 12: Wistron – Breakdown of 2024-25 forecast revisions vs. consensus

| NT\$m | 2024 | | | | | | 2025F | | | | | |
|------------------|--------------------|--------------|-----------|----------|-----------|-----------|-----------|-----------|-----------|----------|-----------|-----------|
| | Preliminary result | KGI forecast | Diff (%) | YoY (%) | Consensus | Diff. (%) | Revision | Previous | Chg. (%) | YoY (%) | Consensus | Diff. (%) |
| Sales | 1,049,256 | 1,030,067 | 1.9 | 21.0 | 1,037,178 | 1.2 | 1,367,168 | 1,277,600 | 7.0 | 30.3 | 1,340,178 | 2.0 |
| Gross profit | 84,116 | 83,687 | 0.5 | 21.9 | 84,011 | 0.1 | 110,127 | 103,845 | 6.0 | 30.9 | 105,874 | 4.0 |
| Operating income | 38,980 | 39,075 | (0.2) | 42.3 | 39,712 | (1.8) | 57,934 | 56,365 | 2.8 | 48.6 | 53,122 | 9.1 |
| Pretax Income | 40,057 | 38,601 | 3.8 | 64.7 | 39,306 | 1.9 | 54,342 | 53,018 | 2.5 | 35.7 | 50,984 | 6.6 |
| Net income | 17,439 | 16,513 | 5.6 | 52.0 | 17,888 | (2.5) | 24,106 | 25,121 | (4.0) | 38.2 | 24,354 | (1.0) |
| EPS (NT\$) | 6.11 | 5.80 | 5.4 | 49.8 | 6.27 | (2.5) | 8.41 | 8.80 | (4.5) | 37.6 | 8.49 | (1.0) |
| Gross margin (%) | 8.0 | 8.1 | (0.1)ppts | 0.1 ppts | 8.1 | (0.1)ppts | 8.1 | 8.1 | (0.1)ppts | 0.0 ppts | 7.9 | 0.2 ppts |
| OP margin (%) | 3.7 | 3.8 | (0.1)ppts | 0.6 ppts | 3.8 | (0.1)ppts | 4.2 | 4.4 | (0.2)ppts | 0.5 ppts | 4.0 | 0.2 ppts |
| Net margin (%) | 1.7 | 1.6 | 0.1 ppts | 0.3 ppts | 1.7 | (0.0)ppts | 1.8 | 2.0 | (0.2)ppts | 0.1 ppts | 1.8 | (0.0)ppts |

Source: KGI Research estimates; Bloomberg

Figure 13: Inventec – Breakdown of 4Q24 & 1Q25 forecast revisions vs. consensus

| NT\$m | 4Q24F | | | | | | | 1Q25F | | | | | | |
|------------------|----------|----------|-----------|-----------|-----------|-----------|-----------|----------|----------|-----------|-----------|----------|-----------|-----------|
| | Revision | Previous | Chg. (%) | QoQ (%) | YoY (%) | Consensus | Diff. (%) | Revision | Previous | Chg. (%) | QoQ (%) | YoY (%) | Consensus | Diff. (%) |
| Sales | 197,806 | 173,644 | 13.9 | 20.7 | 54.5 | 173,232 | 14.2 | 154,289 | 161,489 | (4.5) | (22.0) | 18.2 | 153,190 | 0.7 |
| Gross profits | 10,088 | 9,203 | 9.6 | 16.8 | 37.9 | 9,238 | 9.2 | 8,177 | 8,720 | (6.2) | (18.9) | 18.8 | 7,989 | 2.4 |
| Operating income | 4,154 | 3,647 | 13.9 | 31.4 | 62.9 | 3,587 | 15.8 | 2,931 | 3,553 | (17.5) | (29.4) | 37.2 | 2,815 | 4.1 |
| Pretax Income | 3,316 | 3,180 | 4.3 | 31.9 | 68.0 | 3,066 | 8.2 | 2,199 | 2,953 | (25.5) | (33.7) | 44.0 | 2,435 | (9.7) |
| Net income | 2,733 | 2,624 | 4.2 | 36.8 | 37.6 | 2,416 | 13.1 | 1,762 | 2,365 | (25.5) | (35.5) | 61.7 | 1,870 | (5.8) |
| EPS (NT\$) | 0.77 | 0.74 | 4.2 | 36.8 | 38.4 | 0.68 | 13.1 | 0.49 | 0.66 | (25.5) | (35.5) | 62.7 | 0.52 | (5.8) |
| Gross margin (%) | 5.1 | 5.3 | (0.2)ppts | (0.2)ppts | (0.6)ppts | 5.3 | (0.2)ppts | 5.3 | 5.4 | (0.1)ppts | 0.2 ppts | 0.0 ppts | 5.2 | 0.1 ppts |
| OP margin (%) | 2.1 | 2.1 | 0.0 ppts | 0.2 ppts | 0.1 ppts | 2.1 | 0.0 ppts | 1.9 | 2.2 | (0.3)ppts | (0.2)ppts | 0.3 ppts | 1.8 | 0.1 ppts |
| Net margin (%) | 1.4 | 1.5 | (0.1)ppts | 0.2 ppts | (0.2)ppts | 1.4 | (0.0)ppts | 1.1 | 1.5 | (0.3)ppts | (0.2)ppts | 0.3 ppts | 1.2 | (0.1)ppts |

Source: KGI Research estimates; Bloomberg

Figure 14: Inventec – Breakdown of 2024-25 forecast revisions vs. consensus

| NT\$m | 2024F | | | | | | | 2025F | | | | | | |
|------------------|----------|----------|-----------|-----------|-----------|-----------|----------|----------|-----------|----------|-----------|-----------|--|--|
| | Revision | Previous | Chg. (%) | YoY (%) | Consensus | Diff. (%) | Revision | Previous | Chg. (%) | YoY (%) | Consensus | Diff. (%) | | |
| Sales | 646,286 | 622,124 | 3.9 | 25.6 | 621,361 | 4.0 | 722,501 | 694,830 | 4.0 | 11.8 | 694,917 | 4.0 | | |
| Gross profit | 33,350 | 32,465 | 2.7 | 26.6 | 32,311 | 3.2 | 37,542 | 36,454 | 3.0 | 12.6 | 36,136 | 3.9 | | |
| Operating income | 12,053 | 11,546 | 4.4 | 61.5 | 11,506 | 4.8 | 14,958 | 15,023 | (0.4) | 24.1 | 13,766 | 8.7 | | |
| Pretax Income | 9,539 | 9,403 | 1.4 | 31.8 | 9,337 | 2.2 | 12,149 | 12,725 | (4.5) | 27.4 | 12,540 | (3.1) | | |
| Net income | 7,631 | 7,522 | 1.4 | 24.5 | 7,470 | 2.2 | 9,729 | 10,063 | (3.3) | 27.5 | 10,065 | (3.3) | | |
| EPS (NT\$) | 2.13 | 2.10 | 1.4 | 24.8 | 2.09 | 2.2 | 2.73 | 2.82 | (3.3) | 27.8 | 2.82 | (3.3) | | |
| Gross margin (%) | 5.2 | 5.2 | (0.1)ppts | 0.0 ppts | 5.2 | (0.0)ppts | 5.2 | 5.2 | (0.1)ppts | 0.0 ppts | 5.2 | (0.0)ppts | | |
| OP margin (%) | 1.9 | 1.9 | 0.0 ppts | 0.4 ppts | 1.9 | (0.0)ppts | 2.1 | 2.2 | (0.1)ppts | 0.2 ppts | 2.0 | 0.1 ppts | | |
| Net margin (%) | 1.2 | 1.2 | (0.0)ppts | (0.0)ppts | 1.2 | (0.0)ppts | 1.3 | 1.4 | (0.1)ppts | 0.2 ppts | 1.4 | (0.1)ppts | | |

Source: KGI Research estimates; Bloomberg

Figure 15: ODM comparison – Valuations

| Company | Ticker | Market cap. (US\$m) | Share price (LCY) | Rating | Target Price (LCY) | Target PE(x) 2025F | EPS (LCY) | | EPS YoY (%) | | PE (x) | | PB (x) | | ROE (%) | | Cash yield (%) | |
|----------|---------|---------------------|-------------------|------------|--------------------|--------------------|-----------|--------|-------------|-------|--------|-------|--------|-------|---------|-------|----------------|-------|
| | | | | | | | 2024F | 2025F | 2024F | 2025F | 2024F | 2025F | 2024F | 2025F | 2024F | 2025F | 2023 | 2024F |
| Hon Hai | 2317 TT | 74,802 | 177.0 | Outperform | 265.0 | 18.0 | 11.61 | 14.71 | 13.3 | 26.7 | 15.2 | 12.0 | 1.6 | 1.5 | 10.5 | 12.6 | 3.1 | 3.4 |
| Quanta | 2382 TT | 30,319 | 258.0 | Outperform | 348.0 | 18.0 | 14.87 | 19.32 | 44.5 | 29.9 | 17.4 | 13.4 | 5.0 | 4.7 | 29.9 | 36.3 | 3.5 | 4.5 |
| Wiwynn | 6669 TT | 12,552 | 2,220 | Outperform | 2,770.0 | 18.0 | 126.57 | 158.16 | 83.7 | 24.8 | 17.5 | 14.1 | 5.2 | 4.4 | 37.3 | 34.0 | 1.9 | 3.0 |
| Wistron | 3231 TT | 9,562 | 108.5 | Outperform | 135.0 | 16.0 | 6.11 | 8.41 | 49.8 | 37.6 | 17.8 | 12.9 | 2.7 | 2.4 | 15.7 | 19.2 | 2.4 | 3.4 |
| Inventec | 2356 TT | 5,070 | 46.5 | Neutral | 50.0 | 18.0 | 2.13 | 2.73 | 24.8 | 27.8 | 21.8 | 17.0 | 2.7 | 2.6 | 12.3 | 15.3 | 3.2 | 3.6 |
| Pegatron | 4938 TT | 7,876 | 97.2 | Neutral | 105.0 | 15.0 | 7.00 | 7.05 | 18.7 | 0.7 | 13.9 | 13.8 | 1.3 | 1.3 | 9.7 | 9.5 | 4.1 | 4.7 |
| Compal* | 2324 TT | 5,122 | 38.20 | Not rated | N.A. | N.A. | 2.52 | 2.84 | 43.1 | 12.8 | 15.2 | 13.4 | 1.3 | 1.2 | 8.7 | 9.3 | 3.1 | 4.0 |

Source: KGI Research, Bloomberg

* Bloomberg consensus

Figure 16: Server ODMs' major production sites are in Southeast Asia, Taiwan, Mexico, the US, and China

| Company | Ticker | Taiwan | China | India | Southeast Asia | Mexico | USA | Europe |
|----------|---------|--------|-------|-------|----------------|--------|-----|--------|
| Hon Hai | 2317 TT | <5 | 70 | <10 | <10 | <10 | <10 | <10 |
| Quanta | 2382 TT | <20 | 65 | <5 | | <5 | <20 | <5 |
| Wistron | 3231 TT | <15 | 40 | <40 | | <10 | | |
| Wiwynn | 6669 TT | 10-15 | | <15 | | 70 | | 10-15 |
| Inventec | 2356 TT | <15 | <60 | <15 | | <15 | | <10 |
| Pegatron | 4938 TT | <5 | 85 | <5 | <5 | <5 | | <5 |
| Compal | 2324 TT | | 70 | <30 | | <5 | | |

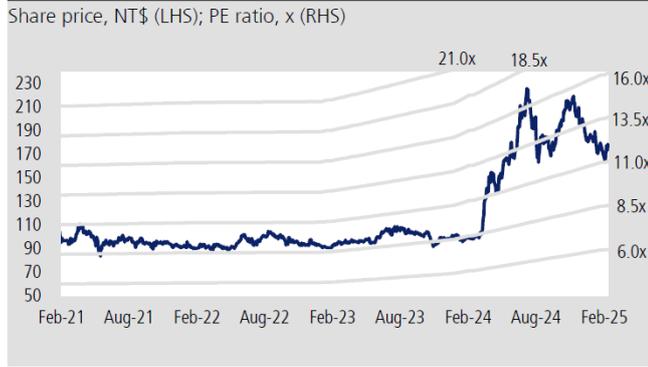
Source: Company data; KGI Research estimates

Figure 17: Quanta & Hon Hai have US server production sites; will be impacted the least by Trump's proposed tariffs

| Company | Ticker | Taiwan | China | Southeast Asia | America | Europe |
|--------------------|---------------------|---------|-------------------------------------|--|-----------------------------------|----------------------------|
| Hon Hai | 2317 TT | Taoyuan | North China | Chonburi, Thailand; Bac giang, Vietnam | Jalisco, Mexico; TX, USA; WI, USA | Kutna Hora, Czech Republic |
| Quanta | 2382 TT | Taoyuan | Shanghai | Chonburi, Thailand | TN, USA; CA, USA | Eschweiler, Germany |
| Wistron/ Wiwynn | 3231 TT/ 6669 TT | Hsinchu | Zhongshan, Guangdong (Wistron) | Johor, Malaysia | Juarez, Mexico | Brno, Czech Republic |
| Inventec | 2356 TT | Taoyuan | Pudong, Shanghai | Pathoni, Thailand | Chihuahua, Mexico; TX, USA | Modrice, Czech Republic |
| Mitac | 3706 TT | Hsinchu | Kunshan, Jiangsu; Foshang Guangdong | Hanoi, Vietnam | CA, USA | |

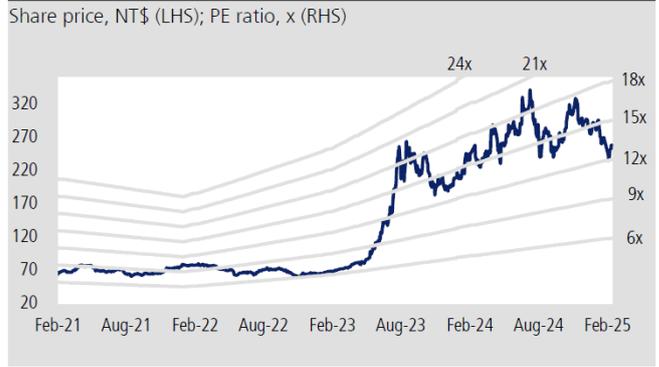
Source: Company data; KGI Research estimates

Figure 18: Hon Hai - 12M forward PE band



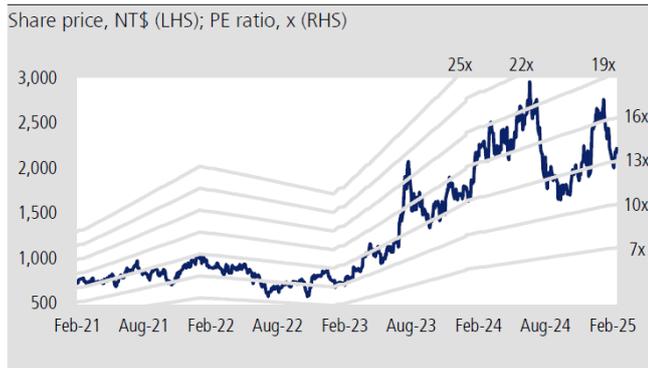
Source: TEJ; KGI Research estimates

Figure 19: Quanta - 12M forward PE band



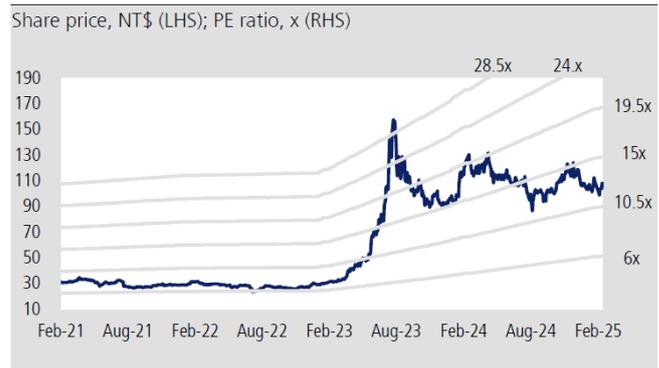
Source: TEJ; KGI Research estimates

Figure 20: Wiwynn - 12M forward PE band



Source: TEJ; KGI Research estimates

Figure 21: Wistron - 12M forward PE band



Source: TEJ; KGI Research estimates

Figure 22: Inventec - 12M forward PE band



Source: TEJ; KGI Research estimates

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