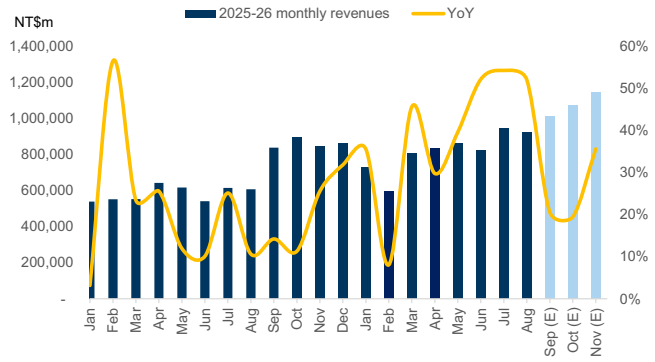
# Hon Hai (2317.TW): Sep beat: revenues +38% YoY; New AI servers, CPO switch and Foldable phones to drive 4Q26; Buy (on CL)

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Hon Hai's Sep revenues were +38% YoY/ 26% MoM to NT$1.2tn, or 15% / 21% higher than our / Bloomberg consensus estimates, reflecting strong AI servers ramp up and new smartphone models in contribution. From a MoM perspective, **Consumer electronics** is the strongest, followed by **Components**, **Cloud and Networking** and **Computing**, and all segments are positive MoM. The strong MoM reaffirms our positive view on the company's leading market position across: (1) **Smartphone:** serving global leading brands, which suffer less under high memory costs, with new model launches and form factor changes (report link), driving the shipment and ASP increase, (2) **AI servers:** serving global leading CSP customers, and early in the delivery of the latest AI server racks, driving the shipment and ASP increase. The company is also the major supplier of CPO switch, supporting Sep and 4Q26 growth. From a YoY perspective, **Cloud and Networking** is the strongest, followed by **Components**, **Computing**, and **Consumer electronics**, and all segments are positive YoY. We attribute the slower YoY in consumer electronics to its major brand customers' fewer model launches this year, along with the new form factor (foldable phones) being not available in Sep, and a modest smartphone market under high memory costs.

**Exhibit 1: Hon Hai's Sep revenues +38% YoY, or 26% MoM**




Source: Company data

**3-month revenues preview:** We expect company's 4Q26E revenues to be +37% YoY/ +18% QoQ to NT$3.6 trillion. 3Q26 delivered strong revenues YoY growth of 47%, or 5% / 7% ahead of our / Bloomberg consensus, and we expect to see both YoY and MoM growth throughout Oct-Dec, driven by new AI server racks, new smartphone models, and CPO switches. Management notes that AI-related products

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remain on track to maintain solid growth momentum through 4Q26, while ICT products continue to benefit from typical 2H seasonal tailwinds, which should support overall operational performance in line with current consensus expectations.

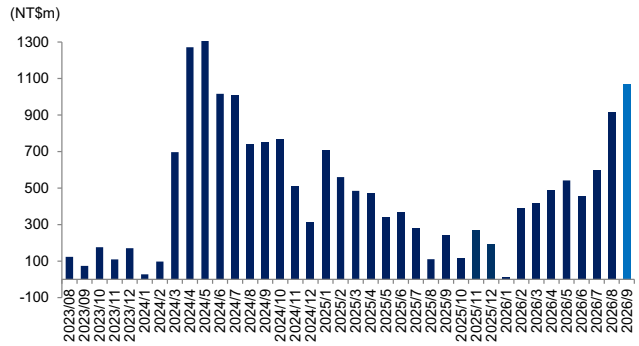
**Exhibit 2: We model Hon Hai's 4Q26 revenue to be +37% YoY or +18% MoM**
Hon Hai's monthly/quarterly revenue

| | Jul-26 | Aug-26 | Sep-26 | Oct-26E | Nov-26E | Dec-26E | 3Q26 | 4Q26E |
|---|---|---|---|---|---|---|---|---|
| Revenues (NT$m) | 946,513 | 921,766 | 1,158,633 | 1,164,426 | 1,181,893 | 1,220,777 | 3,026,912 | 3,567,096 |
| YoY | 54% | 52% | 38% | 30% | 40% | 41% | 47% | 37% |
| MoM/QoQ | 15% | -3% | 26% | 1% | 2% | 3% | 20% | 18% |
| GS estimates (NT$m) | 928,592 | 1,050,629 | 1,009,185 | | | | 2,877,464 | |
| Actual vs. GS | 2% | -12% | 15% | | | | 5% | |

Source: Company data, Goldman Sachs Global Investment Research

**EV business in Sep 2026:** Hon Hai's EV subsidiary Foxtron (2258.TW, not covered) reported **Sep revenues of NT$1.1bn (vs. Aug-26 / Sep-25 revenues at NT$914mn / NT$242mn)**. In Sep 2026, Taiwan's new vehicle registrations rebounded to 37k units, while EV registrations delivered robust sequential momentum, more than doubling MoM to 7,026 units (vs. 3,259 units in August). Notably, Foxtron ranked No.2 with cumulative YTD sales volume reaching 3,138 units (news).

**Exhibit 3: Foxtron's (Hon Hai's EV subsidiary) monthly revenues**




Source: Company data

**Earnings revision:** We factor in Hon Hai Sep revenues and revise up 2026E net income by 2% to reflect the strong beat, mainly on higher revenues. We remain positive on AI server racks ramp up, Hon Hai's leading market position in terms of scale, technology, and execution, and rising foldable phones to drive growth ahead. We keep 2027E/ 2028E estimates largely unchanged.

**Exhibit 4: Earnings revision**

| | 2026E | | | 2027E | | | 2028E | | |
|---|---|---|---|---|---|---|---|---|---|
| NTD m | Old | New | Chg | Old | New | Chg | Old | New | Chg |
| Revenues | 11,049,023 | 11,239,436 | 2% | 14,028,433 | 14,053,678 | 0% | 18,122,500 | 18,149,202 | 0% |
| GP | 655,343 | 665,995 | 2% | 740,692 | 742,207 | 0% | 820,946 | 822,548 | 0% |
| OP | 379,038 | 384,896 | 2% | 413,913 | 414,859 | 0% | 468,463 | 4 | |
| Net income | 272,249 | 276,935 | 2% | 317,185 | 316,465 | 0% | 356,795 | 3 | |
| EPS (diluted, NT$) | 19.23 | 19.56 | 2% | 22.42 | 22.37 | 0% | 25.13 | | |
| Margins | | | | | | | | | |
| GM | 5.9% | 5.9% | | 5.3% | 5.3% | | 4.5% | | |
| OPM | 3.4% | 3.4% | | 3.0% | 3.0% | | 2.6% | | |
| NM | 2.5% | 2.5% | | 2.3% | 2.3% | | 2.0% | | |

Source: Company data, Goldman Sachs Global Investment Research

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**Exhibit 5: Hon Hai P&L Summary**

| Hon Hai (2317.TW) | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E | 2028E | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26 | 3Q26E | 4Q26E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NTD bn | | | | | | | | | | | | | | | |
| P&L | | | | | | | | | | | | | | | |
| **Revenue** | **6,627** | **6,162** | **6,860** | **8,103** | **11,239** | **14,054** | **18,149** | **1,644** | **1,793** | **2,059** | **2,606** | **2,120** | **2,526** | **3,027** | **3,567** |
| COGS | (6,227) | (5,774) | (6,431) | (7,605) | (10,573) | (13,311) | (17,327) | (1,544) | (1,680) | (1,928) | (2,453) | (1,989) | (2,371) | (2,849) | (3,365) |
| **Gross profit** | **400** | **388** | **429** | **498** | **666** | **742** | **823** | **101** | **114** | **131** | **153** | **131** | **155** | **178** | **202** |
| Operating expense | (226) | (221) | (228) | (239) | (281) | (327) | (353) | (54) | (57) | (60) | (68) | (55) | (60) | (76) | (90) |
| **EBITDA** | **250** | **251** | **288** | **347** | **486** | **537** | **594** | **70** | **80** | **95** | **111** | **102** | **125** | **123** | **136** |
| D&A | (76) | (84) | (88) | (88) | (102) | (122) | (125) | (24) | (23) | (25) | (26) | (27) | (30) | (21) | (23) |
| **EBIT** | **174** | **167** | **201** | **259** | **385** | **415** | **470** | **46** | **57** | **71** | **86** | **76** | **95** | **102** | **112** |
| Net interest income/(expense) | 9 | 16 | 9 | (7) | (4) | 10 | 10 | 1 | (1) | (3) | (4) | (3) | (4) | 1 | 3 |
| Disposal of assets (pre-tax) | 4 | 15 | 2 | 7 | 3 | 0 | 0 | 0 | 1 | 6 | 0 | 1 | 1 | 0 | 0 |
| Others | 1 | (5) | 1 | 34 | 14 | 16 | 13 | 12 | 9 | 13 | 0 | 0 | 3 | 6 | 6 |
| **Pretax profit** | **188** | **192** | **212** | **293** | **398** | **441** | **492** | **59** | **65** | **87** | **82** | **74** | **95** | **108** | **121** |
| Income tax | (36) | (37) | (40) | (78) | (88) | (93) | (103) | (13) | (16) | (21) | (29) | (17) | (25) | (22) | (24) |
| Minorities | (10) | (13) | (19) | (26) | (33) | (32) | (32) | (4) | (5) | (8) | (8) | (7) | (10) | (8) | (8) |
| **Net income** | **141** | **142** | **153** | **189** | **277** | **316** | **357** | **42** | **44** | **58** | **45** | **50** | **60** | **79** | **88** |
| | | | | | | | | | | | | | | | |
| EPS (NTD) | 10.04 | 10.07 | 10.79 | 13.43 | 19.56 | 22.37 | 25.20 | 2.98 | 3.16 | 4.08 | 3.20 | 3.52 | 4.24 | 5.55 | 6.25 |
| DPS (NTD) | 5.22 | 5.31 | 5.70 | 7.15 | 10.41 | 11.90 | 13.41 | | | | | | | | |
| Dividend payout ratio | 52% | 53% | 53% | 53% | 53% | 53% | 53% | | | | | | | | |
| | | | | | | | | | | | | | | | |
| YoY% growth & margins | | | | | | | | | | | | | | | |
| Revenue growth | 11% | -7% | 11% | 18% | 39% | 25% | 29% | 24% | 16% | 11% | 22% | 29% | 41% | 47% | 37% |
| EBITDA growth | 11% | 0% | 15% | 20% | 40% | 10% | 11% | 23% | 25% | 25% | 22% | 46% | 56% | 29% | 22% |
| EBIT growth | 17% | -4% | 20% | 29% | 48% | 8% | 13% | 27% | 27% | 29% | 33% | 63% | 68% | 45% | 31% |
| Net income growth | 2% | 0% | 7% | 24% | 46% | 14% | 13% | 91% | 27% | 17% | -2% | 19% | 35% | 36% | 96% |
| EPS growth | 1% | 0% | 7% | 24% | 46% | 14% | 13% | 90% | 26% | 16% | 0% | 18% | 34% | 36% | 95% |
| Gross margin | 6.0% | 6.3% | 6.3% | 6.1% | 5.9% | 5.3% | 4.5% | 6.1% | 6.3% | 6.4% | 5.9% | 6.2% | 6.1% | 5.9% | 5.7% |
| EBITDA margin | 3.8% | 4.1% | 4.2% | 4.3% | 4.3% | 3.8% | 3.3% | 4.3% | 4.5% | 4.6% | 4.3% | 4.8% | 5.0% | 4.1% | 3.8% |
| EBIT margin | 2.6% | 2.7% | 2.9% | 3.2% | 3.4% | 3.0% | 2.6% | 2.8% | 3.2% | 3.4% | 3.3% | 3.6% | 3.8% | 3.4% | 3.1% |

Source: Company data, Goldman Sachs Global Investment Research

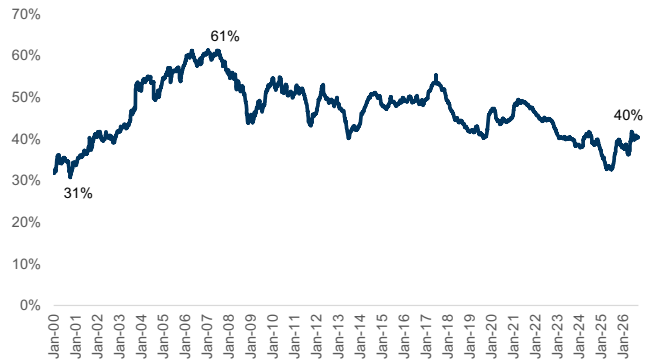
**Valuation:** Our 12m TP for **Hon Hai is unchanged at NT$400 and remains based on a P/E.** Our target 2027E P/E multiple of 17.9x (unchanged) is derived from a peers' average ratio of trading P/E to forward year NI YoY growth and OPM (P/E divided by the sum of NI YoY and OPM). Our target P/E of 17.9x is at the high-end of the company's historical forward P/E, reflecting our positive view on Hon Hai's business expansion from the competitive consumer electronics market to AI servers and EVs outsourcing, which should drive profit expansion with diversifying business opportunities for Hon Hai. **Maintain Buy (on CL).**

**Exhibit 6: Hon Hai 12M forward P/E**




Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 7: Hon Hai QFII holdings**




Source: TEJ

**Price Target Risks and Methodology – Hon Hai**

**Valuation methodology:** We are Buy rated on Hon Hai. Our 12-month target price of **NT$400** is based on an **17.9x 2027E P/E** multiple, which is set in line with peers' PEG&M ratio (i.e., P/E vs. forward-year earnings growth and OPM).

**Key downside risks:** (1) slower-than-expected ramp-up of the AI server business; (2) weaker-than-expected EV total solution performance across EV assembly, design,

software, and semis; (3) slower-than-expected ramp-up of capacity globally; and (4) fiercer-than-expected competition in the consumer electronics EMS business.

| 2317.TW | 12m Price Target: **NT$400.00** | Price: **NT$254.00** | Upside: **57.5%** |
|---|---|---|---|

**Buy** CL

Market cap: NT$3.6tr / $112.7bn
Enterprise value: NT$3.6tr / $112.6bn
3m ADTV: NT$10.5bn / $326.3mn
Taiwan
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: No

## GS Forecast

| | 12/25 | 12/26E | 12/27E | 12/28E |
|---|---|---|---|---|
| **Revenue (NT$ mn) New** | **8,103,104.8** | **11,239,435.7** | **14,053,677.6** | **18,149,202.4** |
| Revenue (NT$ mn) Old | 8,103,104.8 | 11,055,583.4 | 14,028,433.0 | 18,122,499.9 |
| EBITDA (NT$ mn) | 347,220.9 | 486,438.0 | 537,356.5 | 594,235.8 |
| **EPS (NT$) New** | **13.41** | **19.56** | **22.37** | **25.20** |
| EPS (NT$) Old | 13.41 | 19.21 | 22.36 | 25.20 |
| P/E (X) | 13.9 | 13.0 | 11.4 | 10.1 |
| P/B (X) | 1.5 | 1.9 | 1.8 | 1.6 |
| Dividend yield (%) | 3.8 | 4.1 | 4.7 | 5.3 |
| CROCI (%) | 14.3 | 16.6 | 17.8 | 16.6 |

| | 6/26 | 9/26E | 12/26E | 3/27E |
|---|---|---|---|---|
| EPS (NT$) | 4.24 | 5.55 | 6.25 | 4.76 |

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 5 Oct 2026 close.