CMB International Global Markets | Equity Research | Company Update

FIT Hon Teng (6088 HK)

Strong 2026 outlook with AI interconnect/ power/thermal upgrades as key growth drivers

Looking into 2026, we believe FIT is well-positioned to benefit from architecture upgrade in GB300/VR200 servers and strong product pipeline in interconnect (MCIO, cable cartridge, midplane connector), power (busbar, power whip), liquid cooling (UQD, LC busbar) and CPOs (LGA-to-LGA socket, PLS I/O cage). We forecast FIT's AI-related revenue to grow at 95% CAGR in FY25-27E, accounting for 18% of revenue in FY27E (vs 6% in FY25E). For 4Q25/FY25E, we estimate FY25E revenue/net profit growth of 11%/11% YoY, implying 4Q25E revenue/net profit growth of 6%/21% YoY. We expect GTC and OFC 2026 in mid-March will be major upcoming catalysts for the stock, as market will focus on updates on scale-up interconnect and CPO solutions. We raise our TP to HK$7.33 based on new estimates and higher 21x FY26E P/E (vs prior 20x for higher AI mix and sector re-rating). The stock trades at 17.5x/12.6x FY26/27E P/E (vs 24x for 1-sd above 8-yr avg. P/E), and we expect further re-rating on higher AI revenue contribution in FY26-27E. Reiterate BUY.

- **Strong product pipeline to boost AI content value to US$30k/rack in 2027E.** Driven by rapid architecture upgrade in interconnect/cooling/power solutions for GB300/VR200, we expect FIT's AI revenue to grow at 95% FY25-27E CAGR to reach 18% mix in FY27E: **1) Interconnect** (US$10k+/rack): share gains in MCIO/cable cartridge in 2H26E and midplane connectors in 2027, **2) Power** (US$10k/rack): power busbar in 2026 and power whip in 2H26E, **3) Liquid cooling** (US$5k-10k/rack): share gains in CDU UQD in 2026 and LC busbar in 2027, **4) CPO/CPC:** CPO (LGA-to-LGA socket, PLS I/O cage) in 2H26E and CPC 224G interconnect solution in 2027.
- **4Q25E preview: strong datacenter/automobile segments dragged by smartphone weakness.** We estimate 4Q25E revenue/net profit of US$1,288mn/64.3mn (+6%/21% YoY), vs 13%/9% YoY in 3Q25. By segment, we expect cloud/mobility revenue to grow 34%/68% YoY, offsetting weakness of smartphone/consumer/system products (-18%/-3%/-3% YoY) in 4Q25. We expect 4Q25E GPM/NPM to recover YoY to 20.2%/5.0% (vs 16.7%/4.4% in 4Q24) due to better AI revenue mix.
- **Stronger cloud/datacenter momentum to drive re-rating; Raise TP to HK$7.33.** We believe FIT is on track to boost cloud/datacenter sales mix to low/mid/high-20% in FY26/27/28E. We've adjusted our FY25-27E EPS to reflect robust datacenter/cloud segment offset by near-term smartphone/CE weakness. Our new TP of HK$7.33 is based on new estimates and higher 21x FY26E P/E given rising AI mix and sector re-rating. Reiterate BUY.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US$ mn)	4,196	4,451	4,917	5,620	6,696
YoY growth (%)	(7.4)	6.1	10.5	14.3	19.2
Net profit (US$ mn)	129.6	154.3	170.7	311.6	434.8
YoY growth (%)	(23.8)	19.1	10.6	82.5	39.5
EPS (Reported) (US$ cents)	1.82	2.17	2.40	4.38	6.12
Consensus EPS (US$ cents)	na	na	2.54	4.14	5.37
P/E (x)	42.2	35.4	32.0	17.5	12.6
P/B (x)	2.2	2.2	2.1	1.8	1.6
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	5.4	6.3	6.6	11.1	13.7
Net gearing (%)	0.0	na	na	na	na

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$7.33**
(Previous TP	HK$6.77)
Up/Downside	**22.0%**
Current Price	**HK$6.01**

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Stock Data

Mkt Cap (HK$ mn)	43,674.7
Avg 3 mths t/o (HK$ mn)	234.0
52w High/Low (HK$)	7.02/1.71
Total Issued Shares (mn)	7267.0

Source: FactSet

Shareholding Structure

Foxconn Far East Ltd	71.1%
Lu Sung-Ching	5.5%

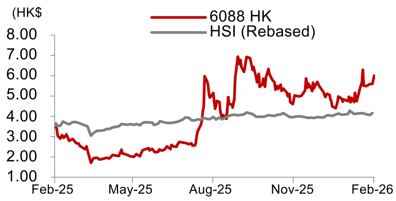
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	25.7%	25.7%
3-mth	24.4%	20.4%
6-mth	16.7%	12.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Focus charts:

Figure 1: FIT high-speed connectors

Source: HHTD25, CMBIGM

Figure 2: FIT CPU & GPU sockets

Source: HHTD25, CMBIGM

Figure 3: FIT MCIO/MXIO/EDSFF cables

Source: Computex, CMBIGM

Figure 4: FIT DAC/ACC/AEC and 1.6T transceiver

Source: Computex, CMBIGM

Figure 5: FIT power solutions for power shelf

Source: HHTD25, CMBIGM

Figure 6: FIT power whip cables & connectors

Source: HHTD25, CMBIGM

FY25E preview

Figure 7: Revenue breakdown

US$ 000	FY24	1H25	2H25E	FY25E	FY26E	FY27E
Smartphones	**942,909**	**365,123**	**426,921**	**792,044**	**839,566**	**889,940**
…YoY	*-10%*	*-12%*	*-19%*	*-16%*	*6%*	*6%*
Networking	**590,684**	**353,901**	**442,095**	**795,996**	**1,191,633**	**1,857,856**
…YoY	*39%*	*36%*	*34%*	*35%*	*50%*	*56%*
Traditional server	428,191			471,010	541,662	622,911
AI server	162,493			324,985	649,971	1,234,944
Computing	**809,512**	**432,403**	**425,680**	**858,083**	**952,472**	**1,047,719**
…YoY	*5%*	*14%*	*-1%*	*6%*	*11%*	*10%*
Mobility	**480,716**	**459,755**	**479,996**	**939,751**	**1,017,504**	**1,101,733**
…YoY	*58%*	*102%*	*89%*	*95%*	*8%*	*8%*
EV business	116,920	-	-	128,612	141,473	155,621
Voltaira	363,796	-	-	381,986	412,545	445,548
AK Group				429,153	463,486	500,565
Systems Products	**1,416,113**	**588,516**	**741,508**	**1,330,024**	**1,407,397**	**1,577,247**
…YoY	*0%*	*-12%*	*0%*	*-6%*	*6%*	*12%*
AirPods	233,750			242,250	428,400	696,150
Others	1,182,363			1,087,774	978,997	881,097
Others	**211,560**	**105,264**	**95,718**	**200,982**	**211,031**	**221,583**
…YoY	*-9%*	*-7%*	*-2%*	*-5%*	*5%*	*5%*
Total	**4,451,494**	**2,304,962**	**2,611,917**	**4,916,879**	**5,619,602**	**6,696,078**
…YoY	***6.1%***	***11.5%***	***9.5%***	***10.5%***	***14.3%***	***19.2%***

Source: Company data, CMBIGM estimates

Figure 8: P&L forecast

US$ mn	FY24	1H25	2H25E	FY25E	FY26E	FY27E
Revenue	**4,451**	**2,305**	**2,612**	**4,917**	**5,620**	**6,696**
…YoY	*6.1%*	*11.5%*	*9.5%*	*10.5%*	*14.3%*	*19.2%*
Cost of sales	(3,573)	(1,876)	(2,041)	(3,918)	(4,420)	(5,211)
Gross profit	**879**	**429**	**571**	**999**	**1,200**	**1,485**
GPM (%)	20%	19%	22%	20%	21%	22%
…YoY	*8.9%*	*1.7%*	*24.8%*	*13.7%*	*20.0%*	*23.8%*
SG&A	(373)	(215)	(228)	(443)	(472)	(549)
…% of rev	*-8.4%*	*-9.3%*	*-8.7%*	*-9.0%*	*-8.4%*	*-8.2%*
R&D	(330)	(163)	(196)	(359)	(388)	(462)
…% of rev	*-7.4%*	*-7.1%*	*-7.5%*	*-7.3%*	*-6.9%*	*-6.9%*
Operating profit	**327**	**105**	**171**	**277**	**435**	**587**
OPM (%)	*7.3%*	*4.6%*	*6.6%*	*5.6%*	*7.7%*	*8.8%*
…YoY	*24.3%*	*12.8%*	*-26.6%*	*-15.4%*	*57.4%*	*34.9%*
Net profit	**154**	**32**	**139**	**170**	**311**	**433**
NPM (%)	*3.5%*	*1.4%*	*5.3%*	*3.5%*	*5.5%*	*6.5%*
…YoY	*19.2%*	*-3.1%*	*14.4%*	*10.7%*	*82.5%*	*39.5%*

Source: Company data, CMBIGM estimates

Figure 9: CMBIGM estimates vs consensus

(US$ mn)	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	4,917	5,620	6,696	4,855	5,816	7,031	1%	-3%	-5%
Gross profit	999	1,200	1,485	967	1,182	1,486	3%	1%	0%
Operating profit	277	435	587	271	425	596	2%	3%	-2%
Net profit	170	311	433	181	298	393	-6%	4%	10%
EPS (USD cents)	2.40	4.38	6.12	2.54	4.14	5.37	-5%	6%	14%
Gross margin	20.3%	21.3%	22.2%	19.9%	20.3%	21.1%	0.4 ppt	1 ppt	1 ppt
Operating margin	5.6%	7.7%	8.8%	5.6%	7.3%	8.5%	0 ppt	0.4 ppt	0.3 ppt
Net Margin	3.5%	5.5%	6.5%	3.7%	5.1%	5.6%	-0.3 ppt	0.4 ppt	0.9 ppt

Source: Bloomberg, CMBIGM estimates

Figure 10: CMBIGM earnings revisions

(US$ mn)	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	4,917	5,620	6,696	4,883	5,859	7,103	1%	-4%	-6%
Gross profit	999	1,200	1,485	995	1,240	1,555	0%	-3%	-5%
Operating profit	277	435	587	297	449	596	-7%	-3%	-1%
Net profit	170	311	433	190	309	423	-10%	1%	2%
EPS (USD cents)	2.40	4.38	6.12	2.68	4.35	5.97	-10%	1%	2%
Gross margin	20.3%	21.3%	22.2%	20.4%	21.2%	21.9%	-0.1 ppt	0.2 ppt	0.3 ppt
Operating margin	5.6%	7.7%	8.8%	6.1%	7.7%	8.4%	-0.5 ppt	0.1 ppt	0.4 ppt
Net Margin	3.5%	5.5%	6.5%	3.9%	5.3%	6.0%	-0.4 ppt	0.3 ppt	0.5 ppt

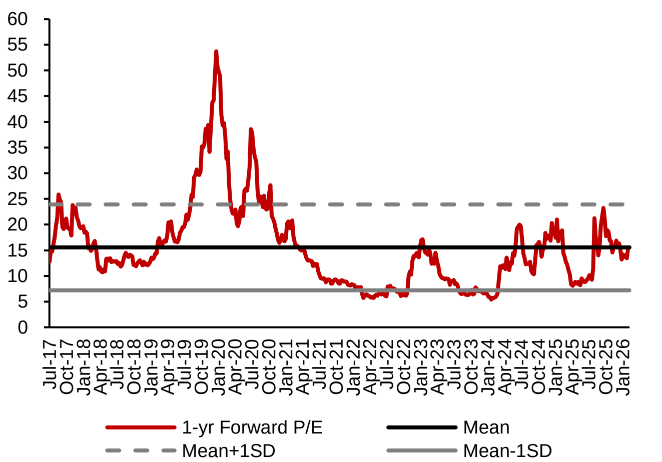
Source: CMBIGM estimates

Valuation

Maintain BUY with new TP of HK$7.33

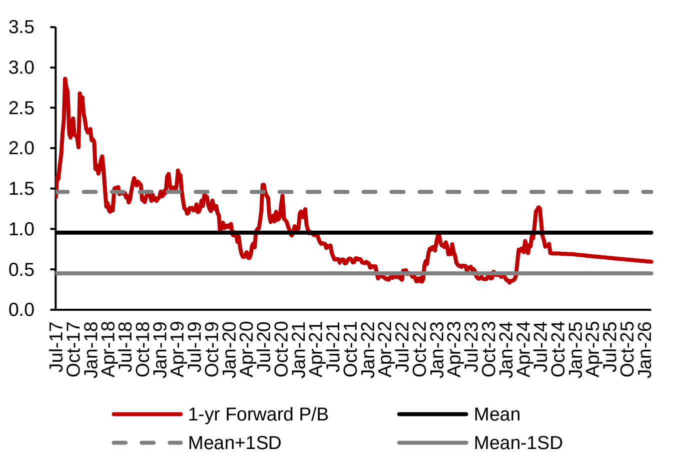
We have adjusted FY25/26/27E EPS by -10%/+1%/+2% to factor in smartphone weakness and AI server business momentum. We raise our TP to HK$7.33 based on new estimates and higher 21x FY26E P/E (vs prior 20x for higher AI mix and sector re-rating). The stock trades at 17.5x/12.6x FY26/27E (vs 24x for 1-sd above 8-yr avg. P/E), and we expect further re-rating on higher AI revenue contribution in FY26-27E. Maintain BUY. Upcoming catalysts include GTC 2026, OFC 2026 and 2025 results in mid-March.

Figure 11: 12M forward P/E band



Source: Company data, Bloomberg, CMBIGM estimates

Figure 12: 12M forward P/B band



Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Revenue	**4,531**	**4,196**	**4,451**	**4,917**	**5,620**	**6,696**
Cost of goods sold	(3,763)	(3,388)	(3,573)	(3,918)	(4,420)	(5,211)
Gross profit	**768**	**807**	**879**	**999**	**1,200**	**1,485**
Selling expense	(93)	(105)	(131)	(148)	(163)	(187)
Admin expense	(130)	(191)	(242)	(295)	(309)	(362)
R&D expense	(296)	(308)	(330)	(359)	(388)	(462)
Others	58	61	152	79	96	114
Operating profit	**307**	**263**	**327**	**277**	**435**	**587**
Share of (losses)/profits of associates/JV	(46)	(50)	(58)	1	1	1
Interest expense	(14)	(33)	(48)	(43)	(37)	(30)
Pre-tax profit	**248**	**179**	**221**	**234**	**399**	**557**
Income tax	(78)	(50)	(66)	(63)	(88)	(123)
Minority interest	1	1	1	1	1	1
Net profit	**170**	**130**	**154**	**171**	**312**	**435**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Current assets	**2,764**	**3,112**	**3,160**	**3,436**	**4,653**	**6,027**
Cash & equivalents	914	1,316	1,113	1,218	2,098	3,032
Account receivables	720	807	910	987	1,181	1,402
Inventories	967	802	904	999	1,142	1,360
ST bank deposits	66	4	42	42	42	42
Non-current assets	**1,783**	**1,982**	**2,311**	**2,257**	**1,632**	**936**
PP&E	753	900	1,191	1,137	512	(183)
Deferred income tax	131	126	132	132	132	132
Investment in JVs & assos	123	73	15	15	15	15
Intangibles	601	700	728	728	728	728
Other non-current assets	175	182	244	244	244	244
Total assets	**4,547**	**5,094**	**5,470**	**5,693**	**6,285**	**6,963**
Current liabilities	**1,539**	**2,563**	**2,241**	**2,293**	**2,574**	**2,817**
Short-term borrowings	453	1,383	904	904	904	904
Account payables	971	1,095	1,271	1,323	1,604	1,847
Tax payable	98	70	51	51	51	51
Other current liabilities	18	17	15	15	15	15
Non-current liabilities	**661**	**93**	**746**	**746**	**746**	**746**
Long-term borrowings	575	0	634	634	634	634
Obligations under finance leases	43	41	53	53	53	53
Other non-current liabilities	43	52	59	59	59	59
Total liabilities	**2,200**	**2,656**	**2,987**	**3,039**	**3,320**	**3,563**
Share capital	142	142	142	142	142	142
Other reserves	2,295	2,384	2,422	2,593	2,905	3,339
Total shareholders equity	**2,347**	**2,437**	**2,483**	**2,654**	**2,965**	**3,400**
Minority interest	2	3	10	10	10	10
Total equity and liabilities	**4,547**	**5,094**	**5,470**	**5,693**	**6,285**	**6,963**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Operating						
Profit before taxation	**248**	**179**	**221**	**234**	**399**	**557**
Depreciation & amortization	232	220	509	954	1,025	1,095
Tax paid	(79)	(75)	(66)	(63)	(88)	(123)
Change in working capital	93	146	(29)	(120)	(56)	(197)
Others	63	103	(382)	0	0	0
Net cash from operations	**556**	**574**	**253**	**1,005**	**1,280**	**1,334**
Investing						
Capital expenditure	(113)	(243)	(800)	(900)	(400)	(400)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	47	(167)	325	0	0	0
Net cash from investing	**(66)**	**(410)**	**(475)**	**(900)**	**(400)**	**(400)**
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	0	0	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(2)	(1)	0	0	0	0
Others	(268)	250	59	0	0	0
Net cash from financing	**(270)**	**249**	**59**	**0**	**0**	**0**
Net change in cash						
Cash at the beginning of the year	769	914	1,316	1,113	1,218	2,098
Exchange difference	(75)	(10)	0	0	0	0
Cash at the end of the year	**914**	**1,316**	**1,113**	**1,218**	**2,098**	**3,032**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	0.9%	(7.4%)	6.1%	10.5%	14.3%	19.2%
Gross profit	14.1%	5.1%	8.9%	13.7%	20.0%	23.8%
Operating profit	74.0%	(14.4%)	24.3%	(15.4%)	57.4%	34.9%
Net profit	24.5%	(23.8%)	19.1%	10.6%	82.5%	39.5%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	16.9%	19.2%	19.7%	20.3%	21.3%	22.2%
Operating margin	6.8%	6.3%	7.3%	5.6%	7.7%	8.8%
Return on equity (ROE)	7.2%	5.4%	6.3%	6.6%	11.1%	13.7%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	na	0.0	na	na	na	na
Current ratio (x)	1.8	1.2	1.4	1.5	1.8	2.1
Receivable turnover days	0.0	0.0	0.0	0.0	0.0	0.0
Inventory turnover days	0.0	0.0	0.0	0.0	0.0	0.0
Payable turnover days	0.0	0.0	0.0	0.0	0.0	0.0

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	31.7	42.2	35.4	32.0	17.5	12.6
P/B	2.3	2.2	2.2	2.1	1.8	1.6
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

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