

FIT Hon Teng (6088 HK)

1Q25 results below; Guidance lowered on smartphone /system products due to macro uncertainties

FIT Hon Teng 1Q25 revenue grew 14% YoY and net profit declined 38% YoY, below our expectations and tracking 22%/3% of our FY25E estimates. The weaker-than-expected results were mainly due to lower GPM and FX headwinds in 1Q. Looking ahead, given US tariff impact and macro uncertainties, mgmt. lowered 2025 guidance on smartphone (-15% YoY) and System products (-5% to +5% YoY), and guided higher opex for global supply chain alignment. Thus, we trim F25-26E EPS by 10-18% to reflect 1Q25 results and lower guidance. Overall, we expect near-term headwinds due to tariff/macro weakness and slower server upgrade, while we remain positive on AI server product demand, AirPods capacity ramp-up in India and auto M&A progress in 2025E. Trading at 8.3x/6.3x FY25/26E, the stock is attractive in our view. Maintain BUY with new TP of HK\$3.48 based on the same 14.1x FY25E P/E.

■ **Solid revenue but weaker earnings in 1Q25 due to GPM/FX headwinds.** FIT's 1Q25 revenue (+14% YoY) was largely in-line while net profit (-38% YoY) was below our expectations due to lower GPM at 19.5% (vs 20.3% in 1Q24) and higher opex due to NPI ramps and FX headwinds. By segment, smartphone/system revenue declined 6%/4% YoY, while networking/computing/automobility posted strong growth of +46%/13%/89% YoY.

■ **2Q25/2025 outlook: weaker smartphone/system products, AI server products in progress, and AirPods ramp in India.** Looking ahead to 2Q25E, mgmt. guided -15% YoY in revenue for smartphone/system products, +15% YoY for networking/mobility, and 5-15% YoY for computing. For 2025 guidance, while networking(server)/computing(PC)/automobility outlook remains solid, mgmt. revised down 2025 guidance for smartphone sales (-15% YoY) and System products (-5% to +5% YoY) sales, and raised opex guidance for global supply chain alignment. For new AI server products, FIT showcased strong product portfolio in GTC 2025 in March, including high-speed cables, new sockets, power busbar, and cooling components (UQD, cold plates). Overall, we expect FIT's revenue/net profit to grow 15%/46% YoY in FY25E.

■ **Near-term headwinds on tariff/macro and server spec upgrade mostly priced in; Maintain BUY.** We revise down our FY25/26E EPS forecasts by 10-18% to reflect 2025 guidance and market uncertainties. We believe new product pipeline and order wins remain solid with key growth drivers from AI server/AirPods/auto segments. Our new TP of HK\$3.48 is based on the same 14.1x FY25E P/E. Maintain BUY. Upcoming catalysts include AI server shipments, AirPods ramp-up and US tariff progress.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	4,196	4,451	5,132	5,801	6,351
YoY growth (%)	(7.4)	6.1	15.3	13.0	9.5
Net profit (US\$ mn)	129.6	154.3	225.5	297.2	353.6
YoY growth (%)	(23.8)	19.1	46.1	31.8	19.0
EPS (Reported) (US\$ cents)	1.82	2.17	3.17	4.18	4.97
Consensus EPS (US\$)	0.00	0.00	2.87	3.95	5.70
P/E (x)	14.5	12.1	8.3	6.3	5.3
P/B (x)	0.8	0.8	0.7	0.6	0.6
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	5.4	6.3	8.7	10.4	11.1
Net gearing (%)	0.0	(0.0)	(0.0)	(0.0)	(0.0)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$3.48**
 (Previous TP) HK\$3.86)
Up/Downside **69.8%**
Current Price **HK\$2.05**

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Stock Data

Mkt Cap (HK\$ mn)	14,897.4
Avg 3 mths t/o (HK\$ mn)	118.1
52w High/Low (HK\$)	4.10/1.71
Total Issued Shares (mn)	7267.0

Source: FactSet

Shareholding Structure

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

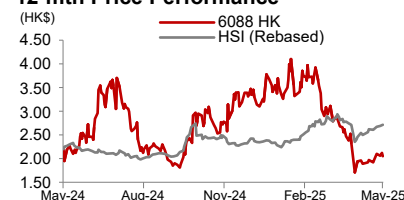
Source: HKEX

Share Performance

	Absolute	Relative
1-mth	19.2%	5.6%
3-mth	-45.2%	-49.3%
6-mth	-26.3%	-33.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Reports:

1. FIT Hon Teng (6088 HK) –Decent FY24 results; Expectations reset on more conservative guidance – 13 Mar 2025 ([link](#))
2. FIT Hon Teng (6088 HK) – FY24E Preview: robust earnings recovery; Expect AI server momentum to drive re-rating – 27 Jan 2025 ([link](#))
3. FIT Hon Teng (6088 HK) - NDR takeaway: FY24E guidance on track; Expect 20% rev CAGR in FY25-27E - 12 Dec 2024 ([link](#))
4. FIT Hon Teng (6088 HK) - Upbeat 3-year guidance reaffirmed our positive view; Raise TP to HK\$ 4.38-14 Nov 2024 ([link](#))

1Q25 Results review

Figure 1: 1Q25 review

US\$ mn	1Q24	2Q24	3Q24	4Q24	1Q25	YoY	CMBIGM		Consensus	
							FY25E	% Track	FY25E	% Track
Revenue	965	1,102	1,174	1,210	1,103	14.3%	5,132	21.5%	5,120	21.5%
Gross profit	196	225	255	202	215	9.7%	1,050	20.5%	1,060	20.3%
Operating profit	24	45	96	10	19	-20.8%	402	4.7%	395	4.8%
Net profit	10	22	68	53	6	-38.8%	225	2.8%	218	2.9%
Gross margin	20.3%	20.4%	21.7%	16.7%	19.5%	-0.8ppt	20.5%		20.7%	
Operating margin	2.5%	4.1%	8.2%	0.9%	1.7%	-0.8ppt	7.8%		7.7%	
Net margin	1.1%	2.0%	5.8%	4.4%	0.6%	-0.5ppt	4.4%		4.3%	

Source: Company data, Bloomberg, CMBIGM estimates

Earnings Revision

Figure 2: CMBIGM estimates vs consensus

(US\$ mn)	CMBI			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	5,132	5,801	6,351	5,120	5,944	6,732	0%	-2%	-6%
Gross profit	1,050	1,223	1,363	1,060	1,246	1,414	-1%	-2%	-4%
Operating profit	402	492	562	395	505	529	2%	-2%	6%
Net profit	225	296	353	218	295	334	3%	0%	6%
EPS (USD cents)	3.17	4.18	4.97	2.87	3.95	5.70	11%	6%	-13%
Gross margin	20.5%	21.1%	21.5%	20.7%	21.0%	21.0%	-0.2 ppt	0.1 ppt	0.5 ppt
Operating margin	7.8%	8.5%	8.9%	7.7%	8.5%	7.9%	0.1 ppt	0 ppt	1 ppt
Net Margin	4.4%	5.1%	5.6%	4.3%	5.0%	5.0%	0.1 ppt	0.1 ppt	0.6 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: CMBIGM earnings revisions

(US\$ mn)	New			Old			Diff(%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	5,132	5,801	6,351	5,322	6,035	n/a	-4%	-4%	n/a
Gross profit	1,050	1,223	1,363	1,105	1,332	n/a	-5%	-8%	n/a
Operating profit	402	492	562	435	578	n/a	-8%	-15%	n/a
Net profit	225	296	353	249	360	n/a	-10%	-18%	n/a
EPS (USD cents)	3.17	4.18	4.97	3.52	5.09	n/a	-10%	-18%	n/a
Gross margin	20.5%	21.1%	21.5%	20.8%	22.1%	n/a	-0.3 ppt	-1 ppt	n/a
Operating margin	7.8%	8.5%	8.9%	8.2%	9.6%	n/a	-0.3 ppt	-1.1 ppt	n/a
Net Margin	4.4%	5.1%	5.6%	4.7%	6.0%	n/a	-0.3 ppt	-0.9 ppt	n/a

Source: Bloomberg, CMBIGM estimates

Figure 4: Revenue breakdown

US\$ 000	FY22	FY23	FY24	FY25E	FY26E	FY27E
Smartphones	1,261,047	1,044,335	942,909	801,473	849,561	892,039
...YoY	-3%	-17%	-10%	-15%	6%	5%
Networking	753,854	424,793	590,684	863,957	1,240,402	1,563,467
...YoY	-14%	-44%	39%	46%	44%	26%
Traditional server		382,314	428,191	449,601	494,561	519,289
AI server		42,479	162,493	414,356	745,841	1,044,178
Computing	819,708	773,285	809,512	849,988	934,986	1,028,485
...YoY	2%	-6%	5%	5%	10%	10%
Mobility	152,814	305,098	480,716	962,927	1,036,102	1,114,939
...YoY	10%	100%	58%	100%	8%	8%
EV business	152,814	137,553	116,920	128,612	135,043	141,795
Volterra	-	167,545	363,796	392,900	424,332	458,278
AK Group				441,415	476,728	514,866
Systems Products	1,335,580	1,415,280	1,416,113	1,463,656	1,540,040	1,541,961
...YoY	20%	6%	0%	3%	5%	0%
AirPods			233,750	435,000	614,250	708,750
Others			1,182,363	1,028,656	925,790	833,211
Others	207,600	232,759	211,560	190,404	199,924	209,920
...YoY	-17%	12%	-9%	-10%	5%	5%
Total	4,530,603	4,195,550	4,451,494	5,132,404	5,801,016	6,350,812
...YoY	0.9%	-7.4%	6.1%	15.3%	13.0%	9.5%

Source: Company data, CMBIGM estimates

Figure 5: P&L forecast

US\$ mn	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	4,531	4,196	4,451	5,132	5,801	6,351
...YoY	0.9%	-7.4%	6.1%	15.3%	13.0%	9.5%
Cost of sales	(3,763)	(3,388)	(3,573)	(4,082)	(4,578)	(4,988)
Gross profit	768	807	879	1,050	1,223	1,363
GPM (%)	17%	19%	20%	20%	21%	21%
...YoY	14.1%	5.1%	8.9%	19.5%	16.4%	11.4%
SG&A	(223)	(295)	(373)	(380)	(418)	(457)
...% of rev	-4.9%	-7.0%	-8.4%	-7.4%	-7.2%	-7.2%
R&D	(296)	(308)	(330)	(351)	(406)	(445)
...% of rev	-6.5%	-7.3%	-7.4%	-6.8%	-7.0%	-7.0%
Operating profit	307	263	327	402	492	562
OPM (%)	6.8%	6.3%	7.3%	7.8%	8.5%	8.9%
...YoY	74.0%	-14.4%	24.3%	23.1%	22.4%	14.3%
Net profit	169	129	154	225	296	353
NPM (%)	3.7%	3.1%	3.5%	4.4%	5.1%	5.6%
...YoY	23.2%	-23.9%	19.2%	46.3%	31.8%	19.0%

Source: Company data, CMBIGM estimates

Valuation

Maintain BUY with new TP of HK\$3.48

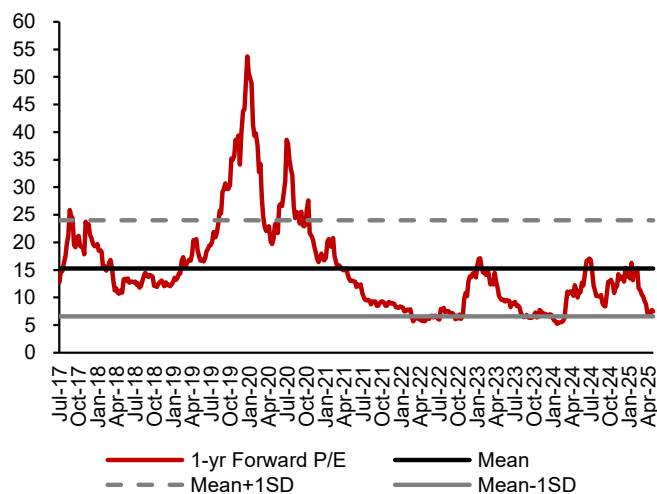
We revise down our FY25-26E EPS forecasts by 10-18%% to reflect 2025 guidance and market conditions. We believe new product pipeline and order wins remain solid with key growth drivers from AI server/AirPods/auto segments. Our new TP of HK\$3.48 is based on the same 14.1x FY25E P/E. Maintain BUY. Upcoming catalysts include AI server shipments, AirPods ramp-up and US tariff progress.

Figure 6: Peers' valuation

Company	Ticker	Rating	Market Cap US\$(mn)	Price (LC)	TP (LC)	Up/ Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Global Connectors												
TE	TEL US	NR	45,336	152.88	NA	NA	18.6	17.0	3.7	3.5	19.7	20.4
Amphenol	APH US	NR	97,832	80.88	NA	NA	30.4	27.8	8.2	6.9	30.4	27.9
Fabrinet	FN US	NR	7,260	202.62	NA	NA	20.0	17.8	3.7	3.2	20.9	24.8
Aviat	6807 JP	NR	1,141	2367.00	NA	NA	13.7	12.0	1.2	1.1	9.0	10.2
Hirose	6806 JP	NR	4,055	16565.00	NA	NA	17.2	16.9	1.5	1.4	8.8	8.7
Luxshare	002475 CH	BUY	32,124	32.08	55.09	72%	13.9	11.3	2.3	2.2	16.4	20.2
Foxconn	2354 TT	NR	2,770	59.20	NA	NA	19.7	16.3	0.5	0.5	3.9	4.7
Hon Hai	2317 TT	NR	67,544	147.00	NA	NA	10.6	9.4	1.1	1.0	10.9	11.4
Average							18.0	16.1	2.8	2.5	15.0	16.0
China technology												
FIT Hon Teng	6088 HK	BUY	1,923	2.05	3.48	70%	8.3	6.3	0.7	0.6	8.3	10.0
AAC Tech	2018 HK	BUY	5,556	36.75	58.78	60%	15.5	13.1	1.5	1.4	9.9	10.8
Tongda	698 HK	BUY	94	0.08	0.11	49%	3.9	2.9	0.2	0.2	5.9	7.4
BYDE	285 HK	BUY	9,663	33.35	43.22	30%	12.4	9.9	1.9	1.6	15.0	16.6
Q tech	1478 HK	BUY	990	6.47	9.25	43%	12.1	9.7	1.2	1.1	10.3	11.6
TK Group	2283 HK	BUY	231	2.16	2.78	29%	6.0	4.7	1.0	0.9	15.9	18.3
YOFC	6869 HK	NR	2,693	15.48	NA	NA	12.1	10.5	0.9	0.8	8.0	8.6
Cowell	1415 HK	NR	2,435	21.95	NA	NA	12.3	9.6	3.5	2.7	31.8	30.8
Average							11.3	9.1	1.5	1.3	13.1	14.3

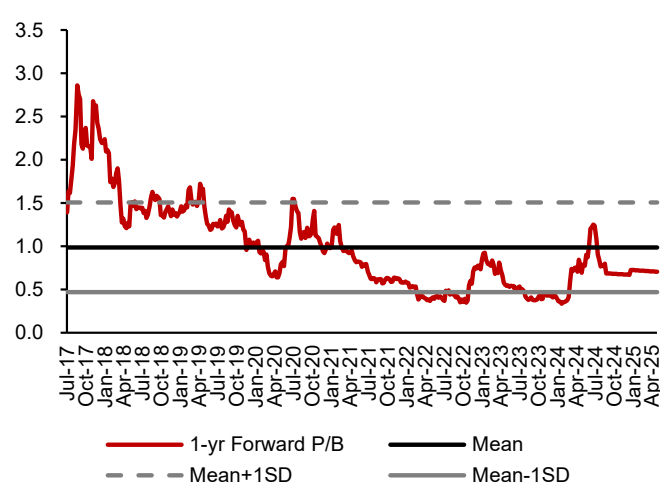
Source: Bloomberg, CMBIGM estimates; data as of 9 May close

Figure 7: 12M forward P/E band



Source: Company data, Bloomberg, CMBIGM estimates

Figure 8: 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	5,132	5,801	6,351
Cost of goods sold	(3,763)	(3,388)	(3,573)	(4,082)	(4,578)	(4,988)
Gross profit	768	807	879	1,050	1,223	1,363
Selling expense	(93)	(105)	(131)	(139)	(154)	(168)
Admin expense	(130)	(191)	(242)	(241)	(264)	(289)
R&D expense	(296)	(308)	(330)	(351)	(406)	(445)
Others	58	61	152	82	93	102
Operating profit	307	263	327	402	492	562
Share of (losses)/profits of associates/JV	(46)	(50)	(58)	(58)	(58)	(58)
Interest expense	(14)	(33)	(48)	(43)	(38)	(33)
Pre-tax profit	248	179	221	301	396	471
Income tax	(78)	(50)	(66)	(75)	(99)	(118)
Minority interest	1	1	1	1	1	1
Net profit	170	130	154	226	297	354

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Current assets	2,764	3,112	3,160	3,600	4,689	5,842
Cash & equivalents	914	1,316	1,113	1,254	2,110	3,037
Account receivables	720	807	910	1,070	1,168	1,282
Inventories	967	802	904	1,043	1,178	1,290
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	5,856	6,321	6,779
Current liabilities	1,539	2,563	2,241	2,402	2,570	2,674
Short-term borrowings	453	1,383	904	904	904	904
Account payables	971	1,095	1,271	1,432	1,599	1,703
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	3,148	3,315	3,419
Share capital	142	142	142	142	142	142
Other reserves	2,295	2,384	2,422	2,648	2,945	3,299
Total shareholders equity	2,347	2,437	2,483	2,709	3,006	3,359
Minority interest	2	3	10	10	10	10
Total equity and liabilities	4,547	5,094	5,470	5,856	6,321	6,779

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	248	179	221	301	396	471
Depreciation & amortization	232	220	509	954	1,025	1,095
Tax paid	(79)	(75)	(66)	(75)	(99)	(118)
Change in working capital	93	146	(29)	(138)	(66)	(122)
Others	63	103	(382)	0	0	0
Net cash from operations	556	574	253	1,042	1,256	1,327
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	1,254	2,110
Exchange difference	(75)	(10)	0	0	0	0
Cash at the end of the year	914	1,316	1,113	1,254	2,110	3,037
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	0.9%	(7.4%)	6.1%	15.3%	13.0%	9.5%
Gross profit	14.1%	5.1%	8.9%	19.5%	16.4%	11.4%
Operating profit	74.0%	(14.4%)	24.3%	23.1%	22.4%	14.3%
Net profit	24.5%	(23.8%)	19.1%	46.1%	31.8%	19.0%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	16.9%	19.2%	19.7%	20.5%	21.1%	21.5%
Operating margin	6.8%	6.3%	7.3%	7.8%	8.5%	8.9%
Return on equity (ROE)	7.2%	5.4%	6.3%	8.7%	10.4%	11.1%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Current ratio (x)	1.8	1.2	1.4	1.5	1.8	2.2
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	10.9	14.5	12.1	8.3	6.3	5.3
P/B	0.8	0.8	0.8	0.7	0.6	0.6
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.

Disclosures & Disclaimers

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CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

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