

Technology

Implications of FII 2024 prelim results: AI server outlook remains robust in 2025

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Foxconn Industrial Internet (FII) (601138 CH, NR) reported in-line FY24 prelim. revenue/NP growth of 28%/10% YoY driven by strong cloud computing growth on AI server demand from both cloud & brand customers, as well as general server recovery. Looking into 1H25E, despite market concerns on slower computing demand due to DeepSeek impact, we remain positive on AI infrastructure investments accelerating globally and new GB200/300 AI server racks ramping up throughout the year, evidenced by global major CSPs' 2025 capex guidance for computing power and large model upgrade. We believe AI server supply chain will continue to benefit including BYDE, FIT Hon Teng and Luxshare.

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- **Strong FY24 results driven by strong AI server demand from cloud/brand customers and general server recovery.** FII reported preliminary 2024 results with revenue/NP of 28%/10% YoY growth, largely in-line with market expectations, mainly driven by cloud computing business on AI infrastructure investments. By segment: **1) Cloud computing:** revenue growth of 50% YoY and a sales mix of above 50% in FY24 (vs. 41% in FY23). AI server sales climbed over 150% YoY and sales mix rose to 40% (vs. 30% in FY23). General server grew 20% YoY outperforming overall market thanks to market recovery. Revenue from CSP clients was up 80% YoY (50% of server sales) and brand customer sales jumped 70% YoY driven by North American Tier-1 brand customers. **2) Communication and mobile network equipment:** steady sales growth driven by technology R&D, product launch and capacity expansion under digital economy and AI development trend. Looking into 2025, FII expects AI server sales will account for 50%+ of total server sales.
- **DeepSeek concerns overdone; AI server supply chain to continue to benefit from computing power demand and GB200/300 ramp-up.** Despite recent concerns on computing demand slowdown after DeepSeek impact, we believe server supply chain outlook remains positive, backed by next-gen model training/upgrade and major CSP's solid 2025 CAPEX for global AI infrastructure, large model development and ramping up of GB200/300 mass production. In addition, given recent upgrade of Hon Hai's 1Q25 sales guidance, we believe GB200 delivery are well on track in 1Q25E and GB300 will be introduced in 2H25E.
- **Major AI server beneficiaries: BYDE, FIT Hon Teng, Luxshare.** Overall, we remain positive on following supply chain names: 1) BYDE will start to ramp up H20/L40 sever ODM and GB200 components in 2025; 2) FIT Hon Teng for its GB200/GB300 server connectivity products; 3) Luxshare for supplying copper cables and connectors for domestic/overseas AI servers. In addition, we are positive on rapid growth of ASIC AI servers to further boost demand for server ODMs and components such as copper interconnects, liquid cooling and power related products.

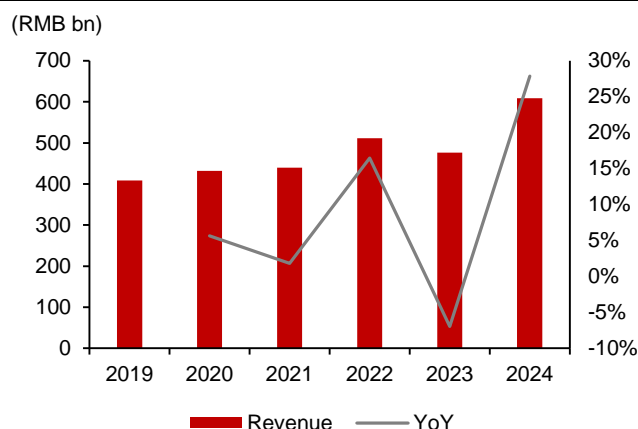
Valuation Table

| Name | Ticker | Rating | Mkt Cap (US\$ mn) | TP (LC) | Upside/ Downside | P/E (x) FY26 | P/E (x) FY27 | P/B (x) FY26 | P/B (x) FY27 | ROE (%) FY26 | ROE (%) FY27 |
|--------------|-----------|--------|----------------------|------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| BYDE | 285 HK | BUY | 16,647.4 | 48.66 | -15% | 14.9 | 14.9 | 2.8 | 2.8 | 0.2 | 0.2 |
| FIT Hon Teng | 6088 HK | BUY | 3,423.5 | 4.79 | 31% | 8.2 | 8.2 | 1.0 | 1.0 | 0.1 | 0.1 |
| Luxshare | 002475 CH | BUY | 43,949.2 | 55.09 | 23% | 16.5 | 16.5 | 2.7 | 2.7 | 0.2 | 0.2 |

Source: Company data, CMBIGM estimates

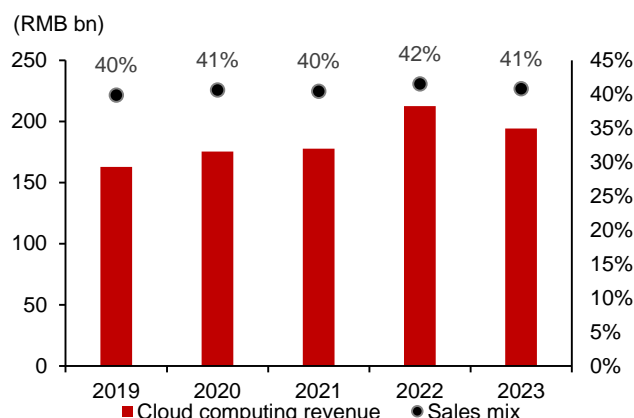
Focus Charts

Figure 1: FII revenue and YoY in 2019-2024



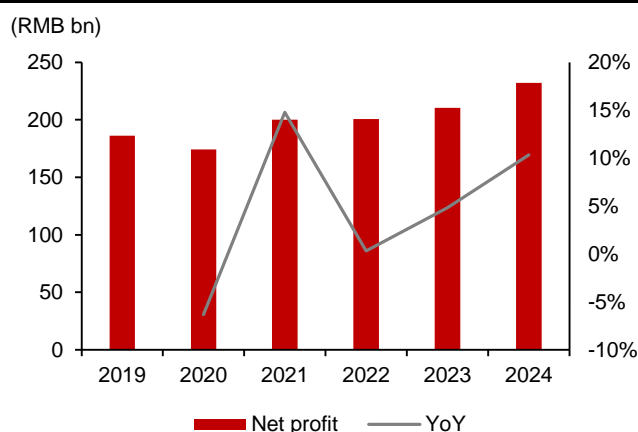
Source: Company data, CMBIGM

Figure 2: FII cloud computing revenue in 2019-2023



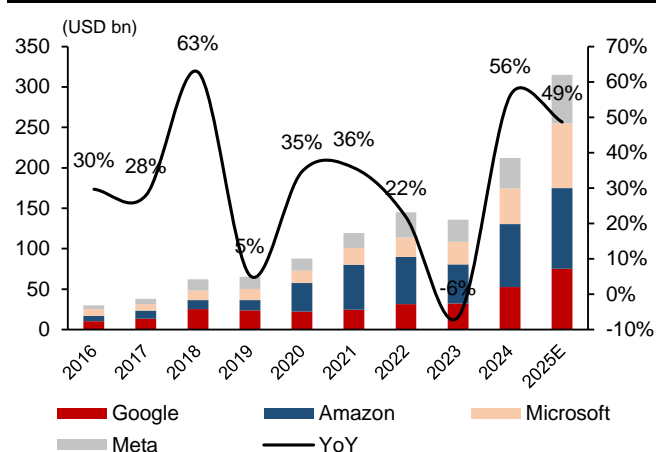
Source: Company data, CMBIGM

Figure 3: FII net profit and YoY in 2019-2024



Source: Company data, CMBIGM

Figure 4: Global Top 4 CSP capex trend FY16-25E



Source: Wind, Company data, Sandi, Baijiahao, CMBIGM estimates

Figure 5: AI accelerator (GPU/ASIC) product roadmap

| | | 1H23 | 2H23 | 1H24 | 2H24E | 1H25E | 2H25E | 2026 |
|-----------|-----------|--------------------|--------------------------------|------------------|---------------|--------------------------------|------------------------------|--------------------------------|
| Nvidia | GPU | H100 (N4N) | | H200 (N4N) | B200 (N4NP) | B300 (N4NP) | B300A (N4NP) | R100 (N3) |
| | AI Server | HGX A100/H100 | | | HGX H200 | GB200 NVL36/72 HGX B200 | GB300/300A NVL36/72 HGX B300 | GR100 NVL36/72 HGX R100 |
| AMD | GPU | MI300A (N5) | MI300X (N5) | MI325X (N5) | | | MI350 (N3) | MI400 (N2) |
| Intel | ASIC | | | | Guadi 3 (5nm) | | Falcon Shores (18A) | |
| Google | ASIC | | TPU v5e (5nm) TPU v5p (5nm) | | | TPU v6e (4nm) TPU v6p (4nm) | | TPU v7e (3nm) TPU v7p (3nm) |
| Amazon | ASIC | Inferentia 2 (7nm) | | Trainium 2 (5nm) | | | Trainium 3 (3nm) | |
| Meta | ASIC | | | MTIA v1 (7nm) | | | MTIA v2 (5nm) | MTIA v3 (3nm) |
| Microsoft | ASIC | | | MAIA 100 (5nm) | | | | MAIA 200 (3nm) |

Source: Company data, CMBIGM estimates

Figure 6: AI server TAM forecasts

| | 2023 | 2024E | 2025E | 2026E |
|---|---------------|---------------|---------------|---------------|
| Total AI accelerator volume ('000) | | | | |
| GPU chips | 1,759 | 5,420 | 7,347 | 8,446 |
| YoY growth | | 208% | 36% | 15% |
| Nvidia | 1,620 | 4,950 | 6,282 | 6,736 |
| YoY growth | | 206% | 27% | 7% |
| AMD | 139 | 470 | 1,065 | 1,710 |
| YoY growth | | 239% | 127% | 61% |
| ASIC chips | 3,140 | 6,112 | 10,819 | 14,842 |
| YoY growth | | 95% | 77% | 37% |
| Total | 4,899 | 11,532 | 18,167 | 23,287 |
| YoY growth | | 135% | 58% | 28% |
| AI server - Training ('000) | | | | |
| GPU AI server | 199 | 626 | 1,471 | 1,994 |
| YoY growth | | 215% | 135% | 36% |
| ASIC AI server | 217 | 362 | 594 | 928 |
| YoY growth | | 67% | 64% | 56% |
| Total | 416 | 988 | 2,065 | 2,449 |
| YoY growth | | 138% | 109% | 19% |
| Nvidia AI server rack ('000) | | | | |
| HGX/MGX Rack | 47.1 | 144.2 | 136.0 | 115.2 |
| GB200/300/GR100/200 NVL72 | - | 1.1 | 47.8 | 79.22 |
| Total | 47 | 145 | 184 | 194 |
| YoY growth | | 208% | 27% | 6% |
| Global server shipment ('000) | | | | |
| General and other servers | 11,842 | 12,878 | 12,861 | 13,880 |
| YoY growth | | 9% | 0% | 8% |
| AI server – Training | 416 | 988 | 2,065 | 2,449 |
| YoY growth | | 138% | 109% | 19% |
| Alserver – Training mix (%) | 3.5% | 7.7% | 16.1% | 17.6% |
| Total | 12,258 | 13,867 | 14,926 | 16,329 |
| YoY growth | | 13% | 8% | 9% |

Source: IDC, Trendforce, CMBIGM estimates

Figure 7: GB200 NVL72 ODM vendors (2025)

| | GB200 NVL72 | | ODMs |
|--------------|--------------------|-------------|--------------------------------|
| | Unit | Mix% | |
| Microsoft | 14,000 | 29% | Honhai/FII (70%), Quanta (30%) |
| AWS | 8,500 | 18% | Quanta (70%), Honhai/FII (30%) |
| Meta | 9,000 | 19% | Quanta (70%), Honhai/FII (30%) |
| Google | 5,500 | 12% | Quanta (80%), Inventec (20%) |
| Dell | 3,000 | 6% | Wistron, Honhai/FII |
| HP | 1,500 | 3% | Honhai/FII, Wistron |
| SMCI | 2,500 | 5% | In-house |
| Oracle | 2,500 | 5% | Honhai/FII |
| Others | 1,300 | 3% | Honhai/FII, Wistron, others |
| Total | 47,800 | | |

Source: Trendforce, CMBIGM estimates

Figure 8: AI server ODM mix (2024)

| | ODMs |
|-----------|---|
| Microsoft | Honhai/FII(30%), Quanta(35%), Inventec(30%), Wiyynn (5%) |
| AWS | Honhai/FII(15%), Quanta(30%), Inventec(35%), Wiyynn (20%) |
| Meta | Honhai/FII(10%), Quanta(70%),Wiyynn (20%) |
| Google | Honhai/FII(15%), Quanta(50%), Inventec (35%) |
| Dell | Wistron (35%), Honhai/FII (15%), Inventec (10%) |
| HP | Wistron (25%), Honhai/FII (20%), Inventec (20%) |
| SMCI | In-hosue, Wistron (20%) |
| Oracle | Honhai/FII (90%), Dell/HPE (10%) |
| Coreweave | SMCI (75%), Gigabytes (10%), Dell/HPE (15%) |
| Tesla | SMCI (40%), Dell (40%), Wistron (20%) |

Source: CMBIGM estimates

Figure 9: Peers valuation

| | | Mkt Cap | Price | | P/E (x) | | P/B (x) | | | ROE (%) | | |
|-----------------|-----------|-----------|----------|-------|---------|-------|---------|-------|-------|---------|---------|---------|
| Company | Ticker | (US\$ mn) | (LC) | FY24E | FY25E | FY26E | FY24E | FY25E | FY26E | FY24E | FY25E | FY26E |
| PC/Server | | | | | | | | | | | | |
| Lenovo | 992 HK | 20,710 | 12.98 | 22.3 | 14.6 | 13.0 | 3.3 | 3.2 | 2.7 | 16.0 | 22.9 | 22.5 |
| Dell | DELL US | 80,721 | 115.24 | 17.3 | 14.7 | 12.5 | - | - | 93.4 | (156.9) | (166.4) | (811.4) |
| HPE | HPE US | 27,404 | 20.87 | 10.6 | 9.8 | 9.1 | 1.2 | 1.0 | 1.0 | 11.9 | 11.4 | 11.7 |
| HP Inc | HPQ US | 32,893 | 35.08 | 10.4 | 9.8 | 9.4 | - | - | - | (242.5) | (255.8) | (251.3) |
| Super Micro | SMCI US | 32,080 | 54.78 | 23.1 | 20.1 | 14.7 | 5.8 | 4.7 | 3.6 | 38.3 | 31.9 | 30.3 |
| ASUSTeK | 2357 TT | 15,851 | 698.00 | 14.5 | 14.4 | 12.2 | 2.0 | 1.9 | 1.8 | 14.3 | 13.6 | 14.9 |
| Inspur | 000977 CH | 13,637 | 67.13 | 43.6 | 33.8 | 27.4 | 4.9 | 4.3 | 3.8 | 11.7 | 13.3 | 13.9 |
| Dawning | 603019 CH | 15,606 | 77.29 | 54.2 | 43.8 | 36.1 | 5.5 | 5.0 | 4.5 | 10.3 | 11.5 | 12.5 |
| | | Average | | 24.5 | 20.1 | 16.8 | 3.8 | 3.4 | 15.8 | (37.1) | (39.7) | (119.6) |
| ODM/OEM | | | | | | | | | | | | |
| Fii | 601138 CH | 63,604 | 23.21 | 19.3 | 14.8 | 12.8 | 3.0 | 2.7 | 2.4 | 15.8 | 18.3 | 18.7 |
| Huaqing | 603296 CH | 14,031 | 100.09 | 32.7 | 26.4 | 22.3 | 4.3 | 3.8 | 3.3 | 12.6 | 13.9 | 14.4 |
| BYDE | 285 HK | 16,635 | 57.40 | 25.5 | 18.0 | 15.7 | 3.6 | 3.1 | 2.7 | 14.0 | 17.4 | 18.3 |
| Quanta | 2382 TT | 31,296 | 265.00 | 17.7 | 14.0 | 11.7 | 5.0 | 4.3 | 3.7 | 29.0 | 32.7 | 34.1 |
| Wistron | 3231 TT | 10,185 | 115.00 | 18.4 | 14.0 | 11.6 | 2.6 | 2.4 | 2.2 | 15.2 | 17.8 | 19.1 |
| Wiwynn | 6669 TT | 11,591 | 2,040.00 | 16.8 | 13.2 | 11.0 | 5.5 | 4.6 | 3.5 | 40.3 | 39.7 | 36.8 |
| Inventec | 2356 TT | 5,320 | 48.50 | 23.3 | 17.3 | 15.5 | 2.7 | 2.5 | 2.5 | 11.9 | 14.9 | 16.2 |
| GigaByte | 2376 TT | 5,438 | 265.50 | 18.2 | 14.3 | 12.0 | 3.8 | 3.3 | 2.7 | 22.9 | 24.3 | 25.6 |
| | | Average | | 20.9 | 16.3 | 13.8 | 3.8 | 3.4 | 2.9 | 21.1 | 23.1 | 23.5 |
| Switch/Storage | | | | | | | | | | | | |
| Cisco | CSCO US | 252,144 | 63.38 | 17.1 | 17.0 | 15.8 | 5.5 | 5.4 | 5.0 | 32.3 | 32.0 | 32.4 |
| Arista | ANET US | 118,180 | 93.72 | 42.8 | 37.8 | 31.9 | 12.2 | 9.1 | 7.1 | 30.9 | 26.7 | 25.1 |
| Juniper | JNPR US | 11,978 | 35.95 | 21.8 | 17.3 | 16.0 | 2.5 | 2.4 | 2.3 | 12.7 | 14.3 | 14.5 |
| Keysight | KEYS US | 30,235 | 174.87 | 28.3 | 25.2 | 21.8 | 5.8 | 5.8 | 4.9 | 20.0 | 19.9 | 20.7 |
| Seagate | STX US | 21,359 | 100.89 | 100.7 | 13.6 | 10.5 | - | - | 32.7 | (2.1) | (137.3) | 3,895.0 |
| Western Digital | WDC US | 17,120 | 49.22 | - | 8.4 | 7.1 | 1.4 | 1.4 | 1.2 | (3.0) | 15.7 | 15.9 |
| | | Average | | 39.3 | 21.7 | 18.2 | 5.3 | 4.7 | 7.6 | 15.8 | 1.0 | 505.3 |
| Substrate | | | | | | | | | | | | |
| Unimicron | 3037 TT | 6,104 | 130.50 | 28.7 | 12.2 | 8.6 | 2.1 | 1.8 | 1.6 | 7.3 | 16.3 | 19.8 |
| Ibiden | 4062 JP | 3,608 | 3,830.00 | 16.0 | 17.9 | 14.9 | 1.2 | 1.1 | 1.0 | 8.1 | 6.2 | 7.1 |
| NYPB | 8046 TT | 2,766 | 140.00 | 314.6 | 30.5 | 18.4 | 2.0 | 1.9 | 1.8 | 0.6 | 7.0 | 10.2 |
| | | Average | | 119.8 | 20.2 | 14.0 | 1.8 | 1.6 | 1.5 | 5.3 | 9.8 | 12.4 |
| PCB | | | | | | | | | | | | |
| WUS Printed | 002463 CH | 10,585 | 39.99 | 30.0 | 22.8 | 18.8 | 6.5 | 5.3 | 4.3 | 22.4 | 24.2 | 23.9 |
| Victory Giant | 300476 CH | 6,383 | 53.62 | 39.5 | 22.6 | 18.0 | 5.3 | 4.3 | 3.6 | 13.8 | 17.9 | 18.7 |
| Gold Circuit | 2368 TT | 3,361 | 223.50 | 19.0 | 14.8 | 12.7 | 5.3 | 4.5 | 3.3 | 31.0 | 33.4 | 31.0 |
| | | Average | | 29.5 | 20.0 | 16.5 | 5.7 | 4.7 | 3.7 | 22.4 | 25.2 | 24.6 |
| Power Supply | | | | | | | | | | | | |
| Delta | 2308 TT | 31,410 | 395.50 | 26.2 | 21.2 | 18.0 | 4.6 | 4.0 | 3.5 | 17.0 | 19.0 | 19.6 |
| Lite-on | 2301 TT | 8,002 | 111.50 | 20.4 | 16.7 | 14.8 | 3.0 | 2.7 | 2.6 | 14.4 | 16.8 | 17.6 |
| | | Average | | 23.3 | 19.0 | 16.4 | 3.8 | 3.4 | 3.1 | 15.7 | 17.9 | 18.6 |
| Thermal | | | | | | | | | | | | |
| Fii | 601138 CH | 63,604 | 23.21 | 19.3 | 14.8 | 12.8 | 3.0 | 2.7 | 2.4 | 15.8 | 18.3 | 18.7 |
| Sunowealth | 2421 TT | 813 | 97.20 | 17.3 | 13.1 | 11.3 | 3.4 | 3.0 | 3.1 | 20.5 | 24.7 | 26.4 |
| AVC | 3017 TT | 6,422 | 542.00 | 25.5 | 17.6 | 13.9 | 7.3 | 5.7 | 4.4 | 31.8 | 36.6 | 35.1 |
| | | Average | | 20.7 | 15.2 | 12.7 | 4.6 | 3.8 | 3.3 | 22.7 | 26.6 | 26.7 |

Source: Bloomberg, CMBIGM estimates, as of 02/24/2025 close price

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