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## Hon Hai Precision | Asia Pacific

## Apple Car the Next EV Manufacturing Project?

Stock Rating  
Overweight

Industry View  
In-Line

Price Target  
NT\$145.00

On May 3rd, it was [reported](#) that Foxconn (a.k.a.) might be the assembler for the upcoming Apple Car project. The report says that the car is likely to be positioned in the luxury EV segment and sell for > US\$100K, with the product launch set for end 2024 or 2025.

Hon Hai has not commented on the report but highlighted its continuous efforts in cultivating new EV customers.

**Our take:** We are not able to confirm if Hon Hai has won Apple Car assembly project at this stage. As we [have previously noted](#), we believe Hon Hai could extend its tooling and molding expertise to offer metal structural parts and chassis in EVs, which we estimate account for ~15% of total EV BoM cost.

The unique MIH EV open platform setup could provide modular design offerings, and collective expertise from its >1,000 members. We think this, together with Hon Hai's core know-how in supply chain management and manufacturing, should help its rapid penetration to new EV customers, including Apple. This paves the way for Hon Hai to reach its target of 5% global EV manufacturing share in 2025.

MORGAN STANLEY TAIWAN LIMITED+

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Hon Hai Precision ( 2317.TW, 2317 TT ) **Top Pick**

Greater China Technology Hardware / Taiwan

Stock Rating	Overweight
Industry View	In-Line
Price target	NT\$145.00
Up/downside to price target (%)	39
Shr price, close (May 4, 2022)	NT\$104.00
52-Week Range	NT\$120.00-96.50
Sh out, dil, curr (mn)	13,863
Mkt cap, curr (mn)	NT\$1,441,751
EV, curr (mn)	NT\$894,182
Avg daily trading value (mn)	NT\$3,231

Fiscal Year Ending	12/20	12/21e	12/22e	12/23e
ModelWare EPS (NT\$)	7.34	10.05	10.50	11.80
Prior ModelWare EPS (NT\$)	-	-	-	-
EPS (NT\$)§	7.83	9.95	10.57	11.80
Revenue, net (NT\$ bn)	5,358.0	5,994.2	6,182.6	6,610.8
EBITDA (NT\$ bn)	175.9	209.2	225.5	252.4
ModelWare net inc (NT\$ bn)	101.8	139.3	145.5	163.6
P/E	12.5	10.3	9.9	8.8
P/BV	0.9	0.9	0.9	0.9
RNOA (%)	7.2	12.8	12.8	14.6
ROE (%)	7.3	9.5	9.4	10.1
EV/EBITDA	4.1	4.4	3.8	3.2
Div yld (%)	4.3	5.8	6.1	6.9

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

§ = Consensus data is provided by Refinitiv Estimates  
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## Valuation Methodology and Risks

### Hon Hai Precision (2317.TW)

Our price target of NT\$145 is our base case scenario value, derived from a residual income valuation model. Our key assumptions include a cost of equity of 8.5%, a medium-term growth rate of 9%, and a terminal growth rate of 3%.

#### Risks to Upside

- Better-than-expected iPhone sell-through
- Faster EV business development progress
- Higher-than-expected cash dividend payout
- Any new M&A activity that could improve sentiment

#### Risks to Downside

- Lower iPhone sell-through
- Slower EV business development progress
- Lower cash dividend payout
- Geopolitical developments that could negatively affect foreign investment

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(as of April 30, 2022)

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	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
<b>Overweight/Buy</b>	<b>1424</b>	<b>40%</b>	<b>374</b>	<b>44%</b>	<b>26%</b>	<b>626</b>	<b>40%</b>
<b>Equal-weight/Hold</b>	<b>1564</b>	<b>44%</b>	<b>373</b>	<b>44%</b>	<b>24%</b>	<b>705</b>	<b>45%</b>
<b>Not-Rated/Hold</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Underweight/Sell</b>	<b>564</b>	<b>16%</b>	<b>95</b>	<b>11%</b>	<b>17%</b>	<b>219</b>	<b>14%</b>
<b>TOTAL</b>	<b>3,552</b>		<b>842</b>			<b>1550</b>	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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### Stock Price, Price Target and Rating History (See Rating Definitions)

Hon Hai Precision (2317.TW) - As of 5/3/22 in TWD  
Industry : Greater China Technology Hardware



Stock Rating History: 5/1/17 : U/I; 7/13/17 : E/I; 10/24/17 : 0/I; 8/22/18 : E/I; 2/25/20 : 0/I

Price Target History: 4/3/17 : 92.5; 5/9/17 : 102.5; 7/13/17 : 135; 10/24/17 : 168.75; 2/12/18 : 147.5; 4/3/18 : 135; 8/22/18 : 102.5; 11/14/18 : 86; 11/14/19 : 95; 2/25/20 : 115; 3/20/20 : 95; 8/13/20 : 102; 1/6/21 : 130; 3/22/21 : 168; 3/8/22 : 145

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)

Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —

Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View

Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)

Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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China TransInfo Technology Co Ltd (002373.SZ)	U (05/24/2021)	Rmb8.57
Dahua Technology Co. Ltd. (002236.SZ)	O (05/24/2021)	Rmb16.72
Genius Electronic Optical Co. Ltd. (3406.TW)	O (04/05/2022)	NT\$382.50
HIKVision Digital Technology (002415.SZ)	O (11/02/2015)	Rmb42.49
Largan Precision (3008.TW)	O (12/17/2021)	NT\$1,660.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	E (04/05/2022)	Rmb11.38
OFILM Group Co Ltd (002456.SZ)	E (11/04/2021)	Rmb5.54
Q Technology (Group) Company Ltd (1478.HK)	E (04/05/2022)	HK\$5.64
Shenzhen Transsion Holdings Co Ltd (688036.SS)	O (08/12/2021)	Rmb84.60
Sunny Optical (2382.HK)	O (04/05/2022)	HK\$114.40
Wingtech Technology Co Ltd (600745.SS)	E (12/17/2021)	Rmb65.78
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK\$11.66
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb22.65
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (12/17/2021)	HK\$10.54
Yongxin Optics Co Ltd (603297.SS)	U (04/05/2022)	Rmb71.64
YuTong Optical Technology Co Ltd (300790.SZ)	E (04/05/2022)	Rmb24.03
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	E (04/05/2022)	Rmb9.42
Zhongji Innolight Co Ltd (300308.SZ)	E (12/17/2021)	Rmb30.62
ZTE Corporation (0763.HK)	O (06/20/2019)	HK\$16.84
ZTE Corporation (000063.SZ)	U (07/02/2021)	Rmb24.13
<b>Derrick Yang</b>		
Advantech (2395.TW)	O (01/20/2021)	NT\$376.00
AirTAC International (1590.TW)	O (01/11/2022)	NT\$832.00
AU Optronics (2409.TW)	U (04/26/2022)	NT\$17.65
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb3.80
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT\$167.50
Ennoconn Corporation (6414.TW)	O (01/20/2021)	NT\$198.50
GIS Holding Limited (6456.TW)	O (12/01/2020)	NT\$93.10
Hiwin Technologies Corp. (2049.TW)	O (01/20/2021)	NT\$223.00
Innolux (3481.TW)	U (04/26/2022)	NT\$14.20
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb10.16
Leyard Optoelectronic Co Ltd (300296.SZ)	E (11/03/2020)	Rmb6.01
Radiant Opto-Electronics Corporation (6176.TW)	O (12/01/2020)	NT\$103.00
TCL Corp. (000100.SZ)	E (06/11/2019)	Rmb4.18
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb9.16
Visionox Technology Inc (002387.SZ)	E (02/18/2020)	Rmb5.90
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb35.44
Wuhu Token Science Co. Ltd. (300088.SZ)	E (12/01/2020)	Rmb6.14
<b>Howard Kao</b>		
Accton Technology Corporation (2345.TW)	E (11/12/2021)	NT\$234.00
Acer Inc. (2353.TW)	U (02/01/2018)	NT\$28.55
Asustek Computer Inc. (2357.TW)	U (07/23/2021)	NT\$361.50
Compal Electronics (2324.TW)	U (12/18/2019)	NT\$22.65
Flexium (6269.TW)	E (04/27/2018)	NT\$94.50
Guangdong Fenghua Adv. Tech. (Hldg) Co (000636.SZ)	E (05/12/2021)	Rmb16.50
Inspur Electronic Information (000977.SZ)	E (02/12/2019)	Rmb24.66
Kinsus Interconnect Tech. (3189.TW)	O (02/06/2020)	NT\$177.00
Legend Holdings Corp (3396.HK)	E (03/29/2018)	HK\$9.46
Lenovo (0992.HK)	E (07/26/2018)	HK\$7.58
Nan Ya PCB (8046.TW)	O (10/22/2021)	NT\$398.50
Pegatron Corporation (4938.TW)	E (03/07/2022)	NT\$70.50
Quanta Computer Inc. (2382.TW)	E (07/28/2021)	NT\$85.20
Shengyi Technology Co Ltd. (600183.SS)	O (07/22/2020)	Rmb16.68
Shennan Circuits Co Ltd (002916.SZ)	O (07/22/2020)	Rmb95.41
Tripod Technology (3044.TW)	E (08/11/2020)	NT\$125.50
Unimicron (3037.TW)	O (10/22/2021)	NT\$217.50
Wistron Corporation (3231.TW)	E (07/26/2018)	NT\$28.80
Wiwynn Corp (6669.TW)	O (08/01/2019)	NT\$1,010.00
Yageo Corp. (2327.TW)	O (01/04/2022)	NT\$408.50
Zhen Ding (4958.TW)	U (04/24/2020)	NT\$108.50

**Sharon Shih**

AAC Technologies Holdings (2018.HK)	++	HK\$18.40
Asia Vital Components Co. Ltd. (3017.TW)	O (05/14/2021)	NT\$105.00
Auras Technology Co Ltd (3324.TWO)	U (03/21/2022)	NT\$166.50
Catcher Technology (2474.TW)	U (04/23/2021)	NT\$148.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT\$241.00
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb9.52
Foxconn Technology (2354.TW)	E (08/16/2016)	NT\$60.80
GoerTek Inc (002241.SZ)	O (06/24/2021)	Rmb35.05
Guangzhou Shiyuan Electronic Tech Co Ltd (002841.SZ)	E (10/28/2021)	Rmb76.72
Hon Hai Precision (2317.TW)	O (02/25/2020)	NT\$104.00
LandMark Optoelectronics Corporation (3081.TWO)	O (01/13/2022)	NT\$136.50
Lingyi Itech Guangdong Co (002600.SZ)	E (09/28/2020)	Rmb4.28
Lite-On Technology (2301.TW)	E (07/31/2020)	NT\$65.20
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb30.88
MLS Company Limited (002745.SZ)	E (09/10/2018)	Rmb8.92
Sanan Optoelectronics (600703.SS)	U (06/17/2019)	Rmb18.30
Sunonwealth Electric Machine Industry Co (2421.TW)	O (01/21/2022)	NT\$37.55
Tong Hsing (6271.TW)	E (03/18/2019)	NT\$236.50
Visual Photonics Epitaxy Co Ltd (2455.TW)	U (01/12/2022)	NT\$90.50

Stock Ratings are subject to change. Please see latest research for each company.

\* Historical prices are not split adjusted.