FIT Hon Teng (6088 HK)

2Q26: Operating Profit Miss; 2026 Guidance Unchanged

Highlights

- FIT's 1H26 revenue/net profit grew 8.3%/20.9% to US$2,496m/US$38m, representing 43%/13% of our full-year estimates respectively.
- While management has lowered its 2026 revenue guidance for the consumer interconnect segment due to rising raw material costs, it maintains revenue guidance of high single-digit revenue growth, 20% gross margin and a 70% yoy operating profit growth in 2026, backed by AI product ramp-up.
- Maintain BUY but cut target price from HK$11.04 to HK$9.19 based on 20.7x 2027F PE.

1H26 Results

Year to 31 Dec (US$m)	1H26	qoq	yoy	1H25	2H25	2025
Revenue	2,496	8.3%	-7.5%	2,305	2,698	5,003
Smartphone	376	2.9%	-18.2%	365	459	824
Cloud	552	55.8%	20.1%	354	459	813
Consumer interconnects	343	-20.6%	-21.4%	432	437	869
Automobility	431	-6.2%	-8.8%	460	473	932
System products	676	14.9%	-11.8%	589	766	1,355
Others	118	11.7%	13.3%	105	104	209
Gross profit	477	11.4%	-7.7%	429	517	946
Operating profit	77	52.6%	-55.4%	50	173	223
Net profit	38	20.9%	-69.4%	32	125	156
Margins (%)						
Gross margin	19.1	0.5ppt	0.0ppt	18.6	19.2	18.9
Operating margin	3.1	0.9ppt	-3.3ppt	2.2	6.4	4.5
Net margin	1.5	0.2ppt	-3.1ppt	1.4	4.6	3.1

Source: FIT Hon Teng, UOB Kay Hian

Analysis

- **1H26 results**. FIT Hon Teng's (FIT) 1H26 revenue grew 8.3% yoy to US$2,496m, representing 43% of our full-year estimate. This was led by a 55.8% yoy growth for the cloud segment, but partially offset by a 20.6% decline for consumer interconnect segment due to memory supply constraints. Gross margin improved slightly to 19.1% from 18.6% on a higher AI mix, but partially offset by higher raw material prices and AI products capacity ramp-up. Operating profit (excluding non-operating items such as other income) rose 52.6% yoy to US$77m, thanks to gross margin expansion and effective cost control measures. Attributable net profit increased 20.9% yoy to US$38m, representing 13% of our full-year estimate, mainly due to net forex losses. Net margin widened 0.2ppt yoy to 1.5%.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	4,451	5,003	5,652	6,728	7,681
Gross profit	879	946	1,152	1,477	1,762
EBITDA	428	504	650	854	1,019
Operating profit	176	223	352	532	683
Net profit	154	156	266	404	520
Net profit (adj.)	154	156	266	404	520
EPS (cents)	2.2	2.2	3.7	5.7	7.3
P/E (x)	30.3	29.9	17.6	11.6	9.0
P/BV (x)	1.9	1.7	1.6	1.4	1.2
EV/EBITDA (x)	12.6	10.7	8.3	6.3	5.3
DPS (cent)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Net margin (%)	3.5	3.1	4.7	6.0	6.8
Net debt to equity (%)	19.6	30.1	19.8	10.0	(0.5)
Interest cover (x)	3.7	4.6	6.3	10.3	14.7
ROE (%)	6.3	6.1	9.5	12.8	14.4
Consensus	-		284	419	535
UOBKH/Consensus	-		0.94	0.96	0.97

Source: FIT Hon Teng, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$5.13
Target Price	HK$9.19
Upside	79.1%
Previous TP	HK$11.04

Stock Data

Sector	Electronics Components
Bloomberg ticker	6088 HK
Shares issued (m)	7,304
Market cap (HK$m)	37,468
Market cap (US$m)	4,804
3-mth avg daily t'over (US$m)	61.8

Price Performance (%)

52-week high/low				HK$10.89/HK$3.31
1mth	3mth	6mth	1yr	YTD
(15.5)	(48.0)	(10.3)	42.1	3.6

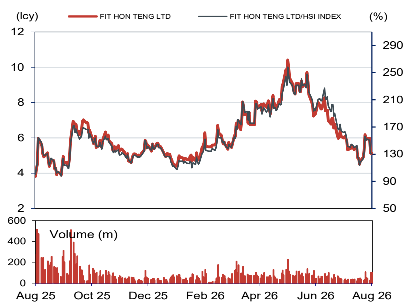
Major Shareholders (%)

Hon Hai	71.0
Lu Sung Ching	5.7

Balance Sheet Metrics

FY26 NAV/Share (US$)	0.42
FY26 Net Debt/Share (US$)	0.08

Price Chart



Source: Bloomberg

Company Description

FIT Hon Teng is a subsidiary of Hon Hai Technology Group (Foxconn) that manufactures and distributes electrical components. The company produces backplane connectors, memory cards, sockets, terminal blocks, and other products.

- **Solid cloud revenue growth.** Cloud revenue grew 55.8% yoy to US$552m in 1H26, accounting for 22.1% of sales (vs 15.4% in 1H25), driven by strong demand for AI products such as higher speed connectivity solutions, backplane connectors and liquid cooling solutions. Management maintains its guidance of high double-digit/70% yoy cloud segment revenue growth in 3Q26/2026 respectively, supported by meaningful contribution from 800G/1.6T optical products in 2H26. We are monitoring its cable cartridge shipment in late-26 and expect its optical products to become key long-term growth drivers.
- **Mixed performance of non-AI segments.** FIT expects rising memory costs to continue weighing on consumer interconnect demand, and has revised down its revenue guidance for the segment from flattish growth to double-digit decline in 2026. For the smartphone segment, FIT maintains its target of flattish growth in 3Q26 and 2026, thanks to stabilised shipments. The automobility segment continues to face near-term pressure from softened end-market demand while system product shipments are expected to normalise after a strong yoy growth of 14.9% in 1H26 from a low base in 1H25. As such, FIT is maintaining its target of flattish growth for the automobility segment in 3Q26 and 2026 and flattish/low double-digit growth for the system product segment in 3Q26/2026.
- **2026 guidance unchanged**. Management maintains its guidance of high single-digit revenue growth for 2026, supported by continued AI demand, healthy order backlog and capacity ramp-up in 2H26. It also maintains its guidance of operating profit growth of 70% for 2026, backed by a guided 20% gross margin and improved efficiency from capacity ramp-up in 2H26 as it has overcome critical production bottlenecks for new AI products. The company will host FIT Tech Day on 16 Sep 26 to showcase its technology roadmap, AI ecosystem strategy and long-term growth opportunities.

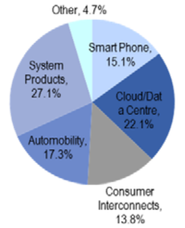
Earnings Revision

- We lower our 2026-28 revenue forecasts by 2.0%/1.9%/1.7% respectively to reflect weaker-than-expected performance for the consumer interconnect segment. We also lower 2026-28 net profit forecasts by 7.0%/4.9%/3.9% respectively to factor in lower revenue forecasts, a slightly lower gross margin due to higher raw material prices and lower other income from forex losses.

Valuation/Recommendation

- Maintain BUY and a target price of HK$9.19 based 20.7x 2027F PE, on par with its peers' average. FIT currently trades at 13.4x 2027F PE, which is around its historical mean of 12.7x in 2021-25.

1H26 Revenue Breakdown (By Segment)



Source: FIT Hon Teng, UOB Kay Hian

Profit & loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	5,003	5,652	6,728	7,681
Gross profit	946	1,152	1,477	1,762
EBITDA	504	650	854	1,019
Deprec. & amort.	(281)	(297)	(322)	(335)
EBIT	223	352	532	683
Total other non-op. income	63	60	60	60
Net interest income/(expense)	(48)	(56)	(52)	(47)
Pre-tax profit	238	356	541	697
Tax	(82)	(89)	(135)	(174)
Minorities	(1)	(1)	(2)	(2)
Net profit	156	266	404	520
Net profit (adj.)	156	266	404	520

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	1,382	1,489	1,567	1,628
Other LT assets	1,102	1,058	1,018	982
Cash/ST investment	1,067	1,272	1,506	1,854
Other current assets	2,379	2,447	2,755	3,119
Total assets	5,930	6,266	6,847	7,583
ST debt	1,200	1,200	1,200	1,200
Other current liabilities	1,318	1,404	1,593	1,817
LT debt	675	657	643	632
Other LT liabilities	51	51	51	51
Shareholders' equity	2,686	2,954	3,359	3,882
Minority interest	11	12	13	16
Total liabilities & equity	5,930	6,266	6,847	7,583

Cash flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	267	639	659	765
Pre-tax profit	238	356	541	697
Tax	(82)	(89)	(135)	(174)
Deprec. & amort.	(281)	(297)	(322)	(335)
Working capital changes	(236)	18	(119)	(140)
Other operating cashflows	627	651	695	718
Investing	(483)	(339)	(335)	(331)
Capex (growth)	(410)	(350)	(350)	(350)
Others	(73)	11	15	19
Financing	109	(95)	(90)	(87)
Dividend payments	-	-	-	-
Proceeds from borrowings	9,684	8,000	8,000	8,000
Loan repayment	(9,482)	(8,000)	(8,000)	(8,000)
Others/interest paid	(93)	(95)	(90)	(87)
Net cash inflow (outflow)	(107)	205	234	347
Beginning cash & cash equiv.	1,113	1,035	1,240	1,474
Changes due to forex impact	29	-	-	-
Ending cash & cash equiv.	1,035	1,240	1,474	1,821

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	18.9	20.4	22.0	22.9
Pre-tax margin	4.8	6.3	8.0	9.1
Net margin	3.1	4.7	6.0	6.8
ROA	2.7	4.4	6.2	7.2
ROE	6.1	9.5	12.8	14.4
Growth (% yoy)				
Turnover	12.4	13.0	19.0	14.2
EBITDA	7.6	21.8	28.3	19.3
Pre-tax profit	8.0	49.5	51.8	28.8
Net profit	1.5	70.5	51.8	28.8
Net profit (adj.)	1.5	70.5	51.8	28.8
EPS	1.4	70.0	51.8	28.8
Leverage				
Debt to total capital	31.6	29.6	26.9	24.2
Debt to equity	69.8	62.9	54.9	47.2
Net debt/(cash) to equity	30.1	19.8	10.0	(0.5)
Interest cover (x)	4.6	6.3	10.3	14.7