

Taiwan's Hon Hai faces difficult year, despite profit leap: analysts

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Taiwan's tech giant Hon Hai Precision Industry, a major supplier to Apple, saw its profit rise 22.34 percent in 2014 due to demand for larger-screen iPhones.

But its share price dropped Tuesday as analysts fear a slowdown in orders.

The [profit](#) boost for Hon Hai—also known as Foxconn—reflects Apple's booming iPhone sales, which saw the US firm's quarterly profit rocket to a record \$18 billion at the end of last year, with its large-screen iPhone models especially popular in China.

Hon Hai is the world's largest computer components manufacturer and assembles products for Apple—including the iPhone series—as well as Sony and Nokia. Nearly half of Hon Hai's revenue is generated by orders from Apple.

Its net profit was Tw\$130.5 billion (\$4.2 billion) last year, compared with Tw\$106.7 billion a year before, while revenue grew 6.6 percent to Tw\$4.2 trillion, the company said in a statement late Monday.

In the three months to December, its profit totalled Tw\$56.7 billion, a spike of 33.09 percent from the same period last year when it reported a profit of Tw\$42.6 billion.

But its share prices ended 2.55 percent down on Tuesday, with analysts

predicting a slowdown in the face of increased competition from suppliers.

"Its profit was better than expected. Its capability to handle the huge influx of orders from Apple in such a short time enabled it to enjoy a higher margin," said Vincent Chen of Yuanta Investment Consulting.

But he added: "We remain concerned about the risk of iPhone allocation loss going forward, which may cap its earnings momentum and valuation.

"How to offset the loss of iPhone orders and keep growing would be a huge challenge to Hon Hai this year."

Analysts have predicted a drop in orders for 2015.

Chen estimated that Hon Hai, facing stiff competition from firms like homegrown rival Pegatron, may receive 69 percent of iPhone orders this year, down from about 87 percent in 2014.

Hon Hai shares were at one point trading down 3.2 percent Tuesday, the biggest intraday decline since December 1, according to Bloomberg News.

The decrease was on concerns that Apple orders may have peaked, Bloomberg said.

With Apple diversifying its supply chains, Hon Hai has been branching out into other businesses, including providing 4G telecom services in Taiwan and investing in a South Korean information technology services provider.

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