

Maxscend (300782 CH)

Impressive 3Q results; Maintain BUY

Maxscend announced its 3Q earnings. Revenue surged 80.2% YoY and 47.7% QoQ to RMB1.4bn, the highest quarterly revenue in the Company's history. Net profit was RMB452mn with 94.3% YoY and 80.9% QoQ growth. The Company's GPM slid from 49.2% in 2Q23 to 46.6% in 3Q23, as new factory is ramping up capacity. The Company's NPM recovered from 26.2% in 2Q23 to 32.1% in 3Q23 since the Company's sales growth was back on track. **Maintain BUY rating with TP adjusted to RMB174.**

- **3Q revenue beat consensus estimates of RMB1.11bn.** The Company's 3Q revenue grew on seasonal client restocking, new product share gain and favourable product mix. We think seasonality may be a crucial factor for 3Q's strong beat, as the industry-wide de-stocking efforts may have concluded.
- **3Q results suggest the demand is recovering and inventory is at a healthy level.** The Company's inventory level has steadily decreased from the peak of RMB1.8bn in 3Q22 to RMB1.4bn in 3Q23, close to 3 months of sales (based on 3Q23 results). The Company also recorded RMB18mn reverse in inventory reserve, indicating the demand is recovering and the Company was very prudent during the downcycle.
- **Module segment to drive future growth.** We remain optimistic on the Company's performance in 2024/25E, particularly with the anticipation of 1) high performance SAW filters that are now in mass production and the Company is the first contender to do so in domestic market, 2) more than 160mn units of the Company's SAW filters have been integrated into its DiFEM, L-DiFEM and GPS modules, 3) duplexers and multiplexers are currently in mass production among several customers, and 4) the rollout of its new L-PAMiD products that may become a successful revenue driver in the future. We expect the Company to deliver top-line growth of 31% and 32% YoY in 2024/25E.
- **Maintain BUY with TP raised to RMB174,** based on 42.0x 2025E P/E, ~10% below its 1-year historical avg. of 46.6x, as the Company is transitioning into fab-lite model from fabless model and margin compression due to the ramp up of new fab. We believe the valuation is fair considering the NP CAGR of 46.7% over 2024-25E. The Company is trading at a 10% premium compared to its peers at 38.1x 2025E P/E, given its leading position in the RF market and as a key beneficiary of semi localization.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	4,634	3,677	4,476	5,865	7,745
YoY growth (%)	66.0	-20.6	21.7	31.0	32.0
Gross margin (%)	57.7	52.9	46.3	45.4	45.5
Net profit (RMB mn)	2,135	1,069	1,194	1,554	2,209
YoY growth (%)	99.0	-49.9	11.7	30.1	42.1
EPS (RMB)	4.01	2.00	2.24	2.91	4.14
EPS Consensus (RMB)	NA	2.00	2.07	2.89	3.71
P/E (x)	37.6	75.3	67.3	51.8	36.4
ROE (%)	27.9	12.3	12.2	13.8	16.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **RMB174.0**

(Previous TP RMB107.8)

Up/Downside **15.5%**

Current Price **RMB150.7**

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Stock Data

Mkt Cap (RMB mn)	80,443.7
Avg 3 mths t/o (RMB mn)	578.3
52w High/Low (RMB)	150.70/88.64
Total Issued Shares (mn)	533.8

Source: FactSet

Shareholding Structure

WX HUIZHI UNITED INV	11.5%
Feng Chenhui	7.6%

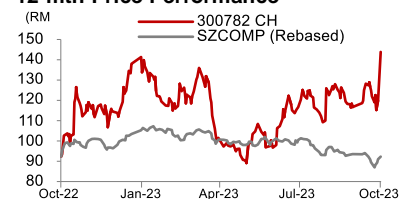
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	29.1%	31.6%
3-mth	25.2%	38.2%
6-mth	48.4%	62.8%

Source: FactSet

12-mth Price Performance



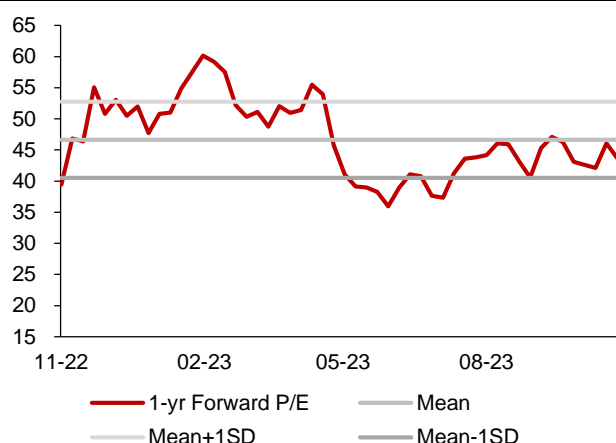
Source: FactSet

Figure 1: CMBIGM estimates vs. consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	4,476	5,865	7,745	4,188	5,404	6,723	7%	9%	15%
Gross Profit	2,072	2,663	3,523	2,042	2,604	3,225	1%	2%	9%
Net profit	1,194	1,554	2,209	1,111	1,593	2,050	8%	-2%	8%
EPS (RMB)	2.24	2.91	4.14	2.07	2.89	3.71	8%	1%	12%
Gross Margin	46.3%	45.4%	45.5%	48.8%	48.2%	48.0%	-2.5 ppt	-2.8 ppt	-2.5 ppt
Operating Margin	29.6%	31.0%	32.9%	28.1%	31.3%	30.3%	1.5 ppt	-0.3 ppt	2.6 ppt
Net Margin	26.7%	26.5%	28.5%	26.5%	29.5%	30.5%	0.2 ppt	-3 ppt	-2 ppt

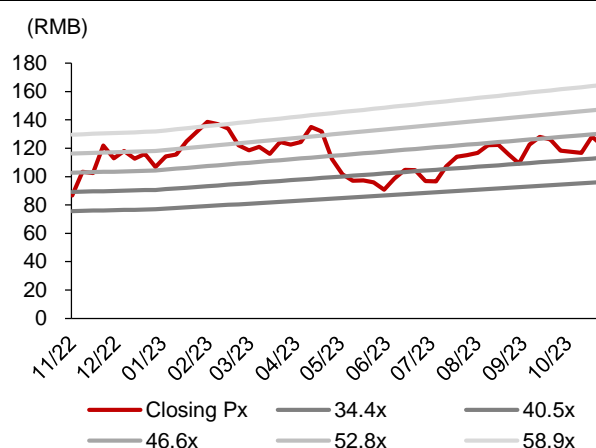
Source: Company data, CMBIGM estimates

Figure 1: 12M forward P/E band



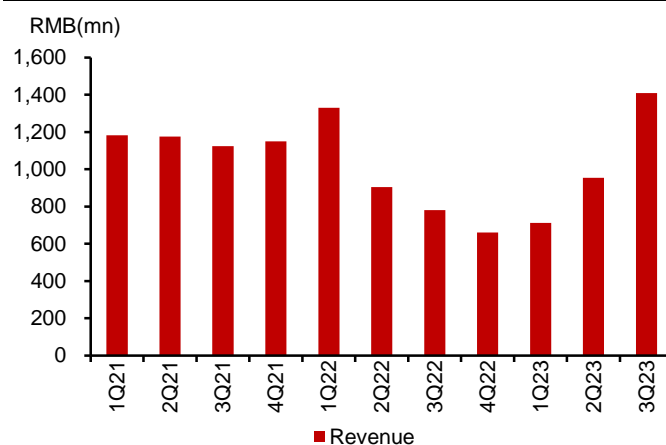
Source: Bloomberg, CMBIGM estimates

Figure 2: 12M forward P/E chart



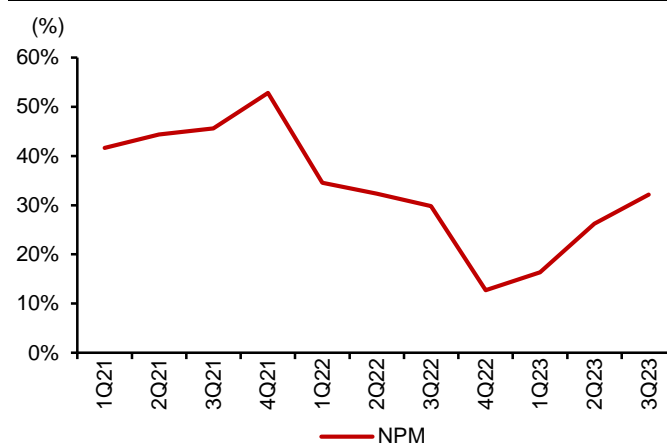
Source: Bloomberg, CMBIGM estimates

Figure 4: 1Q21 - 3Q23 revenue



Source: Bloomberg, CMBIGM estimates

Figure 5: 1Q21 - 3Q23 net profit margin



Source: Bloomberg, CMBIGM estimates

Figure 6: Peers table

Company	Mkt Cap US\$(mn)	Price (LC)	FY23E	P/E(x) FY24E	FY25E
Maxscend	10,942	143.9	71.7	50.1	38.6
Vanchip	4,055	70.7	151.6	60.6	40.5
Gigadevice	9,758	106.9	84.5	48.1	33.0
Willsemi	17,772	111.1	107.3	39.6	27.7
Goodix	4,616	73.7	323.5	67.2	48.8
SG Micro	5,668	92.1	100.3	56.3	40.3
Peers Avg.			139.8	53.7	38.1
Peers Median			103.8	53.2	39.4

Source: Bloomberg; Note: data as of 30 Oct 2023.

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	2,792	4,634	3,677	4,476	5,865	7,745
Cost of goods sold	(1,323)	(1,959)	(1,732)	(2,404)	(3,202)	(4,222)
Gross profit	1,469	2,675	1,946	2,072	2,663	3,523
Operating expenses	(246)	(405)	(595)	(759)	(860)	(997)
SG&A expense	(60)	(97)	(139)	(187)	(216)	(262)
R&D expense	(182)	(304)	(449)	(561)	(630)	(715)
Others	(4)	(4)	(6)	(11)	(15)	(19)
Operating profit	1,223	2,269	1,351	1,313	1,803	2,527
Other income	14	212	13	12	16	21
Other expense	(3)	(7)	(8)	(4)	(6)	(8)
Other gains/(losses)	2	(48)	(302)	(112)	(91)	(98)
EBIT	1,236	2,427	1,055	1,208	1,722	2,442
Interest income	5	12	13	34	39	62
Interest expense	0	(0)	(1)	(2)	(3)	(4)
Others	(24)	(24)	22	2	0	0
Pre-tax profit	1,217	2,415	1,089	1,242	1,758	2,500
Income tax	(147)	(280)	(11)	(50)	(206)	(293)
After tax profit	1,071	2,135	1,078	1,193	1,552	2,206
Minority interest	(2)	(0)	9	(2)	(2)	(3)
Net profit	1,073	2,135	1,069	1,194	1,554	2,209

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	2,652	4,980	3,588	3,475	3,977	5,451
Cash & equivalents	1,475	2,661	1,277	967	1,657	2,348
Account receivables	338	572	400	532	561	712
Inventories	632	1,476	1,720	1,705	1,453	2,017
Prepayment	32	12	35	69	90	119
Other current assets	175	259	156	203	215	256
Non-current assets	439	3,468	5,915	7,402	8,383	9,319
PP&E	103	246	2,043	3,110	3,939	4,546
Right-of-use assets	0	3	14	74	175	342
Deferred income tax	10	23	69	104	118	141
Intangibles	62	75	123	157	201	260
Goodwill	0	0	0	0	0	0
Other non-current assets	264	3,121	3,667	3,958	3,950	4,031
Total assets	3,090	8,448	9,504	10,877	12,359	14,770
Current liabilities	403	752	721	841	818	1,082
Short-term borrowings	0	0	0	(2)	1	5
Account payables	224	376	476	643	585	803
Tax payable	116	298	136	85	96	115
Other current liabilities	12	18	17	36	43	44
Contract liabilities	19	8	6	22	29	39
Accrued expenses	32	52	85	56	63	76
Non-current liabilities	35	62	98	227	258	308
Long-term borrowings	0	0	0	0	0	0
Bond payables	0	0	0	0	0	0
Other non-current liabilities	35	62	98	227	258	308
Total liabilities	438	813	819	1,068	1,076	1,390
Share capital	180	334	534	534	534	534
Retained earnings	1,556	3,428	4,334	5,438	6,891	8,969
Other reserves	924	3,881	3,814	3,837	3,859	3,882
Total shareholders equity	2,660	7,642	8,682	9,808	11,284	13,384
Minority interest	(8)	(8)	3	1	(1)	(5)
Total equity and liabilities	3,090	8,448	9,504	10,877	12,359	14,770

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,071	2,135	1,078	1,193	1,552	2,206
Depreciation & amortization	30	52	103	167	241	284
Change in working capital	(103)	(1,086)	(518)	227	338	(378)
Others	7	49	279	(731)	(351)	(432)
Net cash from operations	1,005	1,150	942	857	1,781	1,680
Investing						
Capital expenditure	(153)	(2,858)	(1,711)	(1,033)	(942)	(846)
Others	284	(497)	93	(91)	(70)	(35)
Net cash from investing	130	(3,356)	(1,618)	(1,125)	(1,012)	(881)
Financing						
Dividend paid	(100)	(185)	(234)	(93)	(104)	(136)
Net borrowings	0	0	0	3	3	4
Others	(1)	2,965	1	8	9	9
Net cash from financing	(101)	2,780	(233)	(82)	(93)	(123)
Net change in cash						
Cash at the beginning of the year	477	1,475	2,020	1,214	879	1,569
Exchange difference	(37)	(29)	104	15	15	15
Others	1,035	574	(909)	(350)	676	676
Cash at the end of the year	1,475	2,020	1,215	879	1,569	2,260

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