

BYDE (285 HK)

NDR takeaways: Android recovery, auto/energy storage and Jabil mobility's synergies

We hosted an investor call with BYDE mgmt. yesterday. Overall, mgmt. reiterated positive view on synergies from Jabil's mobility acquisition, which will accelerate BYDE's share gain in Apple supply chain. In addition, mgmt. expects high-end Android recovery, share gain in iPad OEM/components and rapid growth in household energy storage and NEV biz in 2H23E. Better product mix and rising UTR will also drive margin improvement. We maintain our positive stance on the stock following strong 1H23 results and promising growth outlook. The stock trades at 21.9x/17.8x FY23/24E P/E, which is attractive. Reiterate BUY.

- **2H23E outlook: High-end Android recovery and US client's share gain.** Despite demand weakness in smartphone/PC markets in 1H23, BYDE's consumer electronics business delivered solid growth of 24% YoY, well above industry average, mainly driven by share gain in iPad OEM/components and resilient growth in high-end Android. Mgmt. expects Android recovery and rising UTR will boost segment margin in 2H23E. In addition, high-end model from major Android client and favourable product mix will drive overall profitability.
- **Strong household energy storage with double-digit GPM.** Backed by an extensive new intelligent product portfolio, mgmt. expected strong growth in 2H23E driven by solid demand of household energy storage in Germany and stable growth for smart home products. In addition, mgmt. guided GPM to improve HoH on better product mix.
- **NEV momentum on shipment ramp-up and product expansion.** Mgmt. stated that auto segment (+89% YoY) is mainly driven by smart cockpit and autonomous driving. Mgmt. expects strong orders from parentco and new product expansion (e.g. mid-computing driving, integrated parking, thermal management, enter-level cockpit ADAS and active suspension system) will drive strong revenue growth into 2H23E/2024.
- **Positive on synergies from acquisition of Jabil's Mobility biz.** Looking ahead, we expect the acquisition of Jabil's mobility business will create synergies with BYDE's component product portfolio and drive further share gain in iPhone supply chain. We are positive on significant sales synergies given Jabil's high exposure to Apple's component business.
- **Maintain BUY with TP to HK\$41.98.** We reiterate BUY for BYDE's positive outlook on Android recovery, Apple share gain and NEV/new intelligent upside. The stock now trades at 21.9x/17.8x FY23/24E, which is attractive in our view. Our TP of HK\$41.98 is based on 18.4x FY24E P/E.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	89,057	107,186	123,327	141,246	156,988
YoY growth (%)	21.8	20.4	15.1	14.5	11.1
Net profit (RMB mn)	2,309.9	1,857.6	3,476.7	4,273.2	5,320.4
YoY growth (%)	(57.5)	(19.6)	87.2	22.9	24.5
EPS (Reported) (RMB)	1.03	0.82	1.54	1.90	2.36
Consensus EPS (RMB)	na	0.82	1.31	1.80	2.35
P/E (x)	32.2	22.1	21.9	17.8	14.3
P/B (x)	3.1	1.6	2.6	2.3	2.0
Yield (%)	0.3	0.9	0.2	0.6	0.7
ROE (%)	10.0	7.5	12.7	13.8	15.1
Net gearing (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$41.98
(Previous TP	HK\$41.98)
Up/Downside	15.5%
Current Price	HK\$36.35

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Stock Data

Mkt Cap (HK\$ mn)	81,904.0
Avg 3 mths t/o (HK\$ mn)	176.9
52w High/Low (HK\$)	36.35/17.02
Total Issued Shares (mn)	2253.2

Source: FactSet

Shareholding Structure

Golden Link Worldwide Ltd	65.8%
Gold Dragonfly Ltd	5.0%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	21.6%	32.8%
3-mth	59.4%	58.1%
6-mth	59.1%	71.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings forecasts

Figure 1: Revenue breakdown

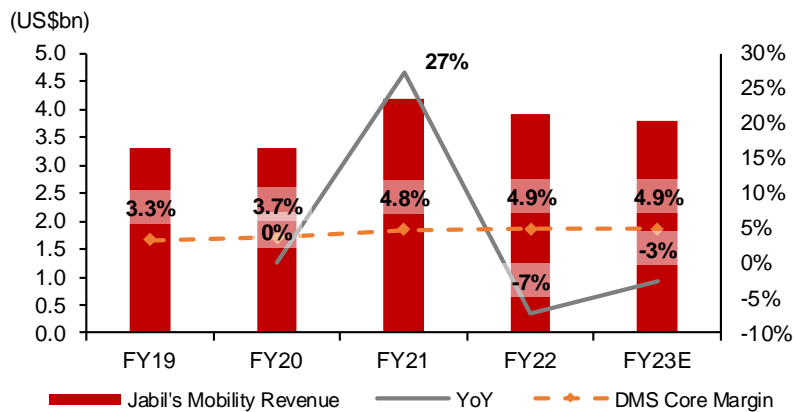
RMB mn	FY22	1H23	2H23E	FY23E	FY24E	FY25E
Assembly	68,054	36,062	37,075	73,137	78,750	82,000
...YoY	22%	36.4%	-10.9%	7%	8%	4%
Component (metal/glass/plastic)	14,155	4,986	8,675	13,661	13,386	13,419
...YoY	-10%	-25.7%	16.5%	-3%	-2%	0%
Metal	7,304	3,104	3,104	6,208	5,277	4,486
Plastic	3,221	1,132	1,672	2,803	2,469	2,099
Glass/ceramic	5,130	2,472	3,916	6,388	5,915	6,802
New intelligent	15,207	8,999	9,948	18,947	22,736	27,284
...YoY	22%	30.1%	20.0%	25%	20%	20%
E-cigarette	1,540	450	1,612	2,062	2,887	3,464
...YoY	54%	50.0%	30.0%	34%	40%	20%
Household energy storage	1,500	555	2,400	2,955	5,024	7,535
...YoY	-	-	-	97%	70%	50%
Auto intelligent	9,263	6,133	11,449	17,582	26,374	34,286
...YoY	146%	89%	90%	90%	50%	30%
Total	107,186	56,180	67,147	123,327	141,246	156,988
...YoY	20%	28.6%	6%	15%	15%	11%

Source: Company data, CMBIGM estimates

Figure 2: P&L forecast

RMB mn	FY22	1H23	2H23E	FY23E	FY24E	FY25E
Revenue	107,186	56,180	67,147	123,327	141,246	156,988
...YoY	20.4%	28.6%	5.8%	15.1%	14.5%	11.1%
Cost of sales	(100,836)	(51,771)	(61,776)	(113,547)	(129,927)	(143,634)
Gross profit	6,350	4,409	5,371	9,780	11,320	13,354
GPM (%)	5.9%	7.8%	8.0%	7.9%	8.0%	8.5%
...YoY	5.3%	89.4%	33.5%	54.0%	15.7%	18.0%
SG&A	(1,770)	(921)	(1,021)	(1,942)	(2,331)	(2,590)
...% of rev	2%	2%	2%	2%	2%	2%
R&D	(3,969)	(2,459)	(2,686)	(5,145)	(5,367)	(5,966)
...% of rev	4%	4%	4%	4%	4%	4%
Operating profit	611	1,029	1,665	2,693	3,622	4,798
OPM (%)	1%	2%	2%	2%	3%	3%
...YoY	-57%	2326%	193%	341%	34%	32%
Net profit	1,858	1,516	1,961	3,477	4,273	5,320
NPM (%)	1.7%	2.7%	2.9%	2.8%	3.0%	3.4%
...YoY	-20%	139%	60%	87%	23%	25%

Source: Company data, CMBIGM estimates

Figure 3: Jabil's Mobility segment revenue in FY19-23E

Source: Company announcement

Figure 4: Overview of Jabil's mobility business location in China (Wuxi, Chengdu)

Location	Main Business	Overview	Applications	Service Offerings	Manufacturing Area
Wuxi	EMS	* Offer a full suite of supply chain solutions from design services to seamless customs clearance and after-market services (including non-Jabil made products).	* Hardware automation & manual job digitization * Software automation * Digital highway	* PCB assembly * Box build * Configure-to-order * Automated manufacturing systems	Factory areas: 156,485 sqm Floor space: 84,263 sqm
	JGP	* Established in Dec. 2015. * 1800+ sets of most advanced CNC machines * One of the most reliable suppliers of the famous mobile phone brand in the world.	* Mobile phone related parts	* Products include series of small metal parts, housing.	693,235 sq.ft.
	Metal	* Provides world-class engineering and manufacturing services to customers in China and overseas.	* Consumer lifestyle * Mobility		1,765,281 sq.ft.
	Plastics	A world leader in consumer handheld electronics	* Consumer electronics * Mobility	* Esthetic, precise and structural mechanical plastic and metal components * Innovative decorating technologies and optimized mechanical solutions	120,420 sq.ft.
	Stamping	One of the most reliable suppliers of the famous mobile phone brand in the world	* Electronics	* Production of mobile phone related parts, digital camera related parts, fine punching dies, precision cavity dies and mold standard parts	356,569 sq.ft.
	Tooling	* Diversified mold manufacturing capabilities * Deliver comprehensive design, manufacturing, supply chain and product management services for customers in a broad range of industries.	* Consumer electronics * Healthcare * Packaging * Automotive product	* From standard mold to high precision mold * Implement self-developed Tool Smart Manufacturing System to establish unique Smart Factory in Tooling industry	12,100 sq.ft.
Chengdu	Capacity Expansion	* As one of Jabil's largest sites in China, JGP Chengdu offers capacity for future expansion and development.	* Consumer * Mobile	* Layout conducive for strong security system control * Offers 24-hour customer support * The only government-certified site for Worldwide Tech Services (CNC and Anodizing) * Offers capacity for future expansion and development	7,170,000 sq.ft.

Source: Company website

Valuation

Maintain BUY with TP of HK\$41.98

We maintain BUY and derive our TP based on SOTP valuation to reflect BYDE's business diversification with different growth profiles and visibility.

Our TP of HK\$41.98 is based on weighted-average target P/E multiple of rolled-over 18.4x FY24E PE. We assign 15x P/E to its assembly EMS business and 15x P/E for component business, in-line with TW/HK-listed peers, given Android business margin recovery and Apple business expansion. We assign 20x for new intelligent and NEV segments to reflect its growth potential and higher earnings visibility.

Figure 5: BYDE – SOTP valuation

Business segment	% of FY24E Profit	FY24E EPS (RMB)	Target P/E
Assembly	16%	0.31	15x
Components	16%	0.31	15x
Masks	0%	0.00	8x
New Intelligent	30%	0.57	20x
Auto intelligent	37%	0.71	20x
Others	0%	0.0	10x
Total (RMB) /Implied P/E		1.90	18.4x
TP (HK\$)			41.98

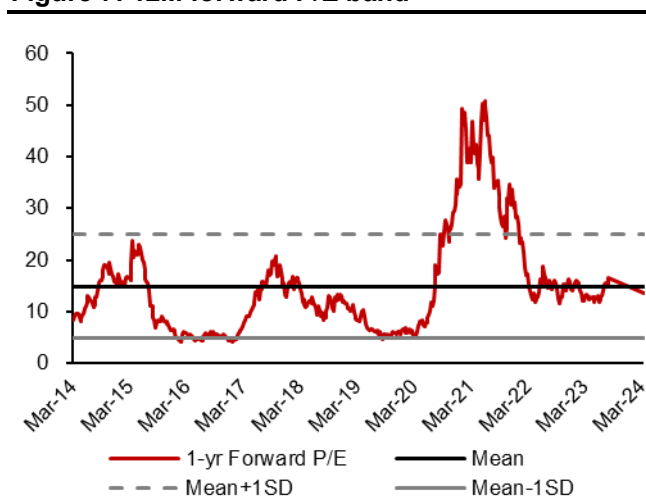
Sources: Company data, CMBIGM estimates

Figure 6: Peers' valuation

Company	Ticker	Rating	Market Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY23E	P/E (x) FY24E	P/B (x) FY23E	P/B (x) FY24E	ROE (%) FY23E	ROE (%) FY24E
BYDE	285 HK	BUY	10,441	36.35	42.0	15%	21.9	17.8	2.6	2.3	12.7	13.8
Tongda	698 HK	Buy	99	0.08	0.17	113%	3.6	2.6	0.1	0.1	1.8	3.8
AAC Tech	2018 HK	Hold	2,322	15.20	15.6	3%	25.2	15.1	0.7	0.7	2.9	4.7
TK Group	2283 HK	Buy	139	1.31	3.4	158%	2.5	3.4	0.5	0.6	20.7	17.8
Ju Teng	3336 HK	NR	161	1.05	NA	NA	-	-	-	-	-	-
Everwin	300115 CH	NR	1,681	10.18	NA	NA	25.1	13.3	2.0	1.8	7.9	13.2
Lens Tech	300433 CH	NR	8,392	12.30	NA	NA	20.2	15.0	1.3	1.3	6.7	8.5
Foxconn	2354 TT	NR	2,471	55.70	NA	NA	11.9	11.2	0.5	0.4	5.7	5.9
Catcher	2474 TT	NR	3,852	180.50	NA	NA	13.5	15.8	0.8	0.8	5.6	4.5
Average							14.9	11.3	1.0	0.9	7.9	8.9

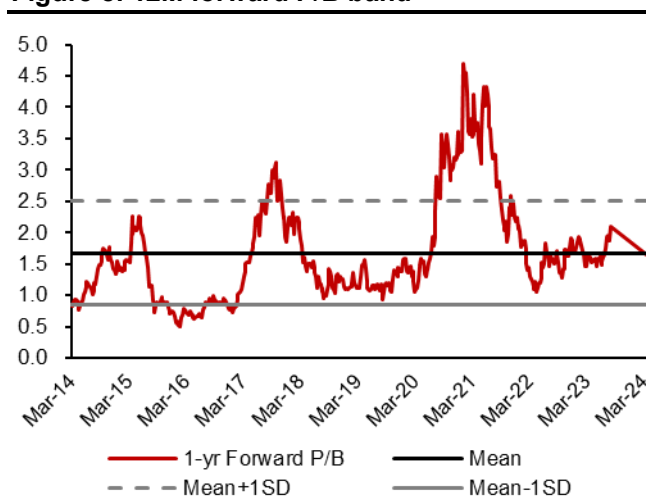
Source: Bloomberg, CMBIGM estimates

Figure 7: 12M forward P/E band



Source: Bloomberg, CMBIGM estimates

Figure 8: 12M forward P/B band



Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	73,121	89,057	107,186	123,327	141,246	156,988
Cost of goods sold	(63,492)	(83,028)	(100,836)	(113,547)	(129,927)	(143,634)
Gross profit	9,629	6,029	6,350	9,780	11,320	13,354
Selling expense	(237)	(275)	(535)	(639)	(706)	(785)
Admin expense	(673)	(1,041)	(1,235)	(1,302)	(1,624)	(1,805)
R&D expense	(2,913)	(3,308)	(3,969)	(5,145)	(5,367)	(5,966)
Operating profit	5,806	1,405	611	2,693	3,622	4,798
Other income/expense	487	1,104	1,386	1,272	1,272	1,272
Pre-tax profit	6,221	2,465	1,939	3,873	4,801	5,978
Income tax	(779)	(155)	(81)	(397)	(528)	(658)
Minority interest	0	0	0	0	0	0
Net profit	5,441	2,310	1,858	3,477	4,273	5,320
Adjusted net profit	5,441	2,310	1,858	3,477	4,273	5,320

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	26,069	27,630	40,488	35,508	45,207	43,327
Cash & equivalents	3,466	2,825	6,244	2,561	3,969	3,805
Account receivables	14,391	9,240	10,471	12,157	16,092	15,306
Inventories	6,891	10,567	17,046	14,062	18,419	17,489
ST bank deposits	0	0	0	0	0	0
Other current assets	1,320	4,998	6,727	6,727	6,727	6,727
Non-current assets	10,825	12,314	15,006	17,054	19,264	21,629
PP&E	9,693	11,182	12,941	15,195	17,625	20,227
Deferred income tax	0	201	481	481	481	481
Other non-current assets	1,132	931	1,583	1,378	1,157	921
Total assets	37,976	41,175	56,994	54,268	66,397	67,120
Current liabilities	14,840	16,220	30,143	23,987	32,271	28,205
Short-term borrowings	0	0	0	0	0	0
Account payables	8,146	11,724	22,002	15,847	24,131	20,065
Tax payable	57	184	363	363	363	363
Other current liabilities	6,636	4,312	7,777	7,777	7,777	7,777
Non-current liabilities	864	928	1,216	1,216	1,216	1,216
Deferred income	147	150	231	231	231	231
Other non-current liabilities	313	404	395	395	395	395
Total liabilities	15,704	17,148	31,359	25,204	33,488	29,422
Share capital	4,052	4,052	4,052	4,052	4,052	4,052
Other reserves	18,220	19,975	21,583	25,012	28,858	33,646
Total shareholders equity	22,272	24,027	25,635	29,064	32,910	37,698
Minority interest	0	0	0	0	0	0
Total equity and liabilities	37,976	41,175	56,994	54,268	66,397	67,120

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	6,221	2,465	1,939	3,873	4,801	5,978
Depreciation & amortization	1,760	1,717	1,987	2,298	2,654	3,050
Change in working capital	(4,745)	(2,228)	2,568	(4,858)	(7)	(2,350)
Others	(27)	(187)	(124)	(304)	(436)	(565)
Net cash from operations	3,209	1,768	6,370	1,010	7,013	6,112
Investing						
Capital expenditure	(2,795)	(3,206)	(3,859)	(4,440)	(5,085)	(5,652)
Others	(186)	0	0	0	0	0
Net cash from investing	(2,981)	(3,206)	(3,859)	(4,440)	(5,085)	(5,652)
Financing						
Dividend paid	(160)	(232)	(372)	(174)	(427)	(532)
Others	1,730	(43)	(59)	(93)	(93)	(93)
Net cash from financing	1,570	(275)	(430)	(266)	(520)	(625)
Net change in cash						
Cash at the beginning of the year	1,651	3,466	2,825	6,258	2,561	3,969
Exchange difference	16	1,072	1,352	0	0	0
Cash at the end of the year	3,466	2,825	6,258	2,561	3,969	3,805
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	37.9%	21.8%	20.4%	15.1%	14.5%	11.1%
Gross profit	143.3%	(37.4%)	5.3%	54.0%	15.7%	18.0%
Operating profit	484.3%	(75.8%)	(56.5%)	340.9%	34.5%	32.5%
Net profit	240.6%	(57.5%)	(19.6%)	87.2%	22.9%	24.5%
Adj. net profit	240.6%	(57.5%)	(19.6%)	87.2%	22.9%	24.5%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	13.2%	6.8%	5.9%	7.9%	8.0%	8.5%
Operating margin	7.9%	1.6%	0.6%	2.2%	2.6%	3.1%
Adj. net profit margin	7.4%	2.6%	1.7%	2.8%	3.0%	3.4%
Return on equity (ROE)	27.7%	10.0%	7.5%	12.7%	13.8%	15.1%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Net debt to equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
Current ratio (x)	1.8	1.7	1.3	1.5	1.4	1.5
Receivable turnover days	59.8	48.4	33.6	33.5	36.5	36.5
Inventory turnover days	35.5	38.4	50.0	50.0	45.6	45.6
Payable turnover days	44.5	43.7	61.0	60.8	56.2	56.2
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	9.1	32.2	22.1	21.9	17.8	14.3
P/B	2.2	3.1	1.6	2.6	2.3	2.0
Div yield (%)	1.1	0.3	0.9	0.2	0.6	0.7
EV	22,272.3	24,027.1	25,635.1	29,063.9	32,909.9	37,698.2
EV/Sales	0.3	0.3	0.2	0.2	0.2	0.2

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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