

Tongda (698 HK)

1H25 preview: expect earnings turnaround on track

We expect Tongda to deliver earnings recovery in 1H25E with revenue/net profit of HK\$2,802mn/59mn (-6%/+359% YoY), following business disposal and impairment provisions in 2024. Excluding disposed business, we estimate Tongda revenue will grow 13% YoY in 1H25E backed by consumer electronics /household & sports goods (+10%/25% YoY) and GPM will improve to 15.7% in 1H25E (vs 15% in 1H24). We remain positive on Tongda's turnaround efforts to focus on investments in new business opportunities with enhanced balance sheet. For 2025, we expect Tongda to benefit from higher penetration of glass fiber casing, order wins from Samsung/Vivo/Huawei and Smart Tech business momentum. We largely maintain our FY25-27E EPS estimates, and our new TP of HK\$0.123 (vs prior HK\$0.112) is based on higher 6.6x FY25E P/E (vs prior 6.0x) given recent sector re-rating and higher earnings visibility. Maintain BUY.

■ 1H25E preview: solid Android, strong Smart Tech, lower finance cost.

We estimate 1H25 revenue/net profit of HK\$2,802mn/59mn (-6%/+359% YoY), after recording net losses in the past 2 years due to impact from business restructuring and impairment provisions. In particular, we believe Android demand recovery and higher adoption of glass fiber casing in 1H25E boosted Tongda's handset casing business (+10% YoY in 1H), and its Smart Tech (household & sports goods) will grow 25% YoY in 1H25E backed by capacity expansion in Malaysia.

■ 2H25-2026 outlook: Samsung/Huawei order wins, glass casing upgrade, and Smart Tech momentum.

We are positive on Tongda's business recovery to continue into 2H25/2026, as we expect 1) smartphone casing: order wins from Samsung/Huawei and glass fiber casing adoption in Android phones will drive ASP/shipment growth, 2) Smart Tech: new projects from Ikea and order ramp-up for new capacity in Malaysia, 3) Home appliances: stable single-digit growth on Midea/Haier/Xiaomi orders, and 4) Networking: new order ramp-up at the Vietnam plant starting from 3Q25.

■ Maintain BUY on solid earnings recovery and attractive valuation.

We largely maintain our FY25-27E EPS forecasts with higher revenue offset by lower margins. Our new TP of HK\$0.123 is based on higher 6.6x FY25E P/E (vs prior 6.0x), which is at a 30% discount to 9.0x 10-year avg. forward P/E. We believe the stock is undervalued, given its 66.2% shareholding in A-share subsidiary, Tongda Smart Tech (001368 CH; mkt cap: HK\$3.2bn), and Tongda's FY24 net cash of HK\$635mn.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (HK\$ mn)	6,522	5,590	5,923	6,593	7,212
YoY growth (%)	(18.2)	(14.3)	6.0	11.3	9.4
Net profit (HK\$ mn)	(1,229.7)	(3,942.2)	182.1	257.2	294.5
YoY growth (%)	na	na	na	41.2	14.5
EPS (Reported) (HK\$ cents)	(12.64)	(40.49)	1.87	2.64	3.03
YoY growth (%)	na	na	na	41.2	14.5
Consensus EPS (HK\$ cents)	na	na	1.90	2.60	3.00
P/E (x)	ns	ns	6.1	4.4	3.8
P/B (x)	0.2	0.4	0.4	0.3	0.3
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	(16.8)	(79.6)	6.0	7.8	8.2
Net gearing (%)	25.5	4.8	18.0	(33.4)	(22.2)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$0.123
(Previous TP)	HK\$0.112)
Up/Downside	7.4%
Current Price	HK\$0.115

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Stock Data

Mkt Cap (HK\$ mn)	1,117.7
Avg 3 mths t/o (HK\$ mn)	0.9
52w High/Low (HK\$)	0.15/0.07
Total Issued Shares (mn)	9719.0

Source: FactSet

Shareholding Structure

Landmark Worldwide Holdings Ltd	24.4%
Wang Ya Nan	7.8%

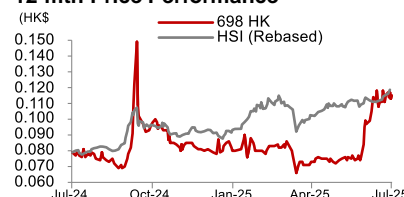
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	16.2%	12.0%
3-mth	57.5%	36.4%
6-mth	43.8%	13.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Revision

Figure 1: Earnings revision

(HK\$ mn)	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	5,923	6,593	7,212	5,893	6,270	6,818	1%	5%	6%
Gross profit	957	1,138	1,266	948	1,092	1,210	1%	4%	5%
Operating profit	90	172	209	85	173	211	5%	-1%	-1%
Net profit	182	257	295	182	256	293	0%	0%	1%
EPS (HK\$)	0.019	0.026	0.030	0.02	0.03	0.03	0%	0%	1%
Gross margin	16.2%	17.3%	17.6%	16.1%	17.4%	17.7%	0.1 ppt	-0.2 ppt	-0.2 ppt
Operating margin	1.5%	2.6%	2.9%	1.4%	2.8%	3.1%	0.1 ppt	-0.2 ppt	-0.2 ppt
Net Margin	3.1%	3.9%	4.1%	3.1%	4.1%	4.3%	0 ppt	-0.2 ppt	-0.2 ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

(HK\$ mn)	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY24E	FY25E	FY27E	FY25E	FY26E	FY27E
Revenue	5,923	6,593	7,212	5,893	6,270	6,818	1%	5%	6%
Gross profit	957	1,138	1,266	948	1,092	1,210	1%	4%	5%
Operating profit	90	172	209	-	-	-	-	-	-
Net profit	182	257	295	182	256	293	0%	0%	1%
EPS (HK\$)	0.019	0.026	0.030	0.019	0.026	0.030	-2%	2%	1%
Gross margin	16.2%	17.3%	17.6%	16.1%	17.4%	17.7%	0.1 ppt	-0.2 ppt	-0.2 ppt
Operating margin	1.5%	2.6%	2.9%	-	-	-	-	-	-
Net Margin	3.1%	3.9%	4.1%	3.1%	4.1%	4.3%	0 ppt	-0.2 ppt	-0.2 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 3: Revenue breakdown

HK\$ mn	FY24	1H25E	2H25E	FY25E	FY26E	FY27E
Consumer electronics	4,536	2,167	2,438	4,606	4,973	5,268
... YoY	-20%	-13%	19%	2%	8%	6%
Handsets	3,366	1,468	1,961	3,429	3,620	3,741
... YoY	-31%	-18%	24%	2%	6%	3%
Metal	325	284	92	376	390	416
...YoY	-7%	9%	42%	16%	4%	7%
Non-metal	2,541	1,184	1,869	3,053	3,230	3,325
...YoY	7%	16%	23%	20%	6%	3%
Apple	500	-	-	-	-	-
...YoY	-76%	-	-	-	-	-
Electrical appliances	260	152	152	304	350	402
...YoY	0%	17%	17%	17%	15%	15%
Motors	310	234	129	363	417	480
...YoY	-	17%	17%	17%	15%	15%
Network	600	313	197	510	587	645
...YoY	-22%	-15%	-15%	-15%	15%	10%
Household goods	1,054	634	683	1,317	1,620	1,944
...YoY	19%	25%	25%	25%	23%	20%
Total	5,590	2,802	3,121	5,923	6,593	7,212
... YoY	-14%	-6%	20%	6%	11%	9%

Source: Company data, CMBIGM estimates

Figure 4: P&L forecast

HK\$ mn	1H24	2H24	FY24	1H25E	2H25E	FY25E	FY26E	FY27E
Revenue	2,986	2,604	5,590	2,802	3,121	5,923	6,593	7,212
...YoY	5.4%	-29.5%	-14.3%	-6.2%	19.9%	6.0%	11.3%	9.4%
Cost of sales	(2,361)	(3,557)	(5,918)	(2,362)	(2,604)	(4,966)	(5,455)	(5,946)
Gross profit	625	(953)	(328)	439	518	957	1,138	1,266
GPM (%)	20.9%	-36.6%	-5.9%	15.7%	16.6%	16.2%	17.3%	17.6%
...YoY	8.9%	317.6%	-194.8%	-29.7%	-154.3%	-391.7%	19.0%	11.2%
Selling Exp	(32)	(34)	(66)	(28)	(34)	(62)	(69)	(76)
...% of rev	-1.1%	-1.3%	-1.2%	-1.0%	-1.1%	-1.1%	-1.1%	-1.1%
R&D	(372)	(208)	(580)	(188)	(197)	(384)	(429)	(469)
...% of rev	-12.5%	-8.0%	-10.4%	-6.7%	-6.3%	-6.5%	-6.5%	-6.5%
Operating profit	67	(3887)	(3820)	25	65	90	172	209
OPM (%)	2.3%	-149.3%	-68.3%	0.9%	2.1%	1.5%	2.6%	2.9%
...YoY	-10.7%	232.4%	249.2%	-63.5%	-101.7%	-102.3%	92.2%	21.5%
Net profit	13	(3,955)	(3,942)	59	123	182	257	295
NPM (%)	0.4%	-151.9%	-70.5%	2.1%	3.9%	3.1%	3.9%	4.1%
...YoY	-33.7%	216.6%	220.6%	358.6%	-103.1%	-104.6%	41.2%	14.5%

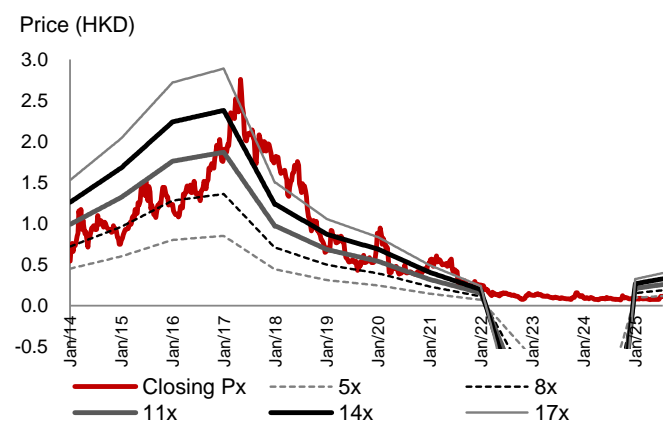
Source: Company data, CMBIGM estimates

Valuation

Maintain BUY with new TP of HK\$0.123

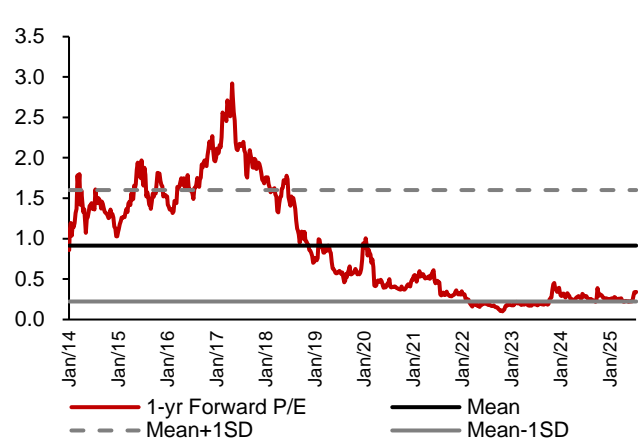
We largely maintain our FY25-27E EPS estimates, and our new TP of HK\$0.123 (vs prior HK\$0.112) is based on higher 6.6x FY25E P/E (vs prior 6.0x) given recent sector re-rating and higher earnings visibility. Our 6.6x target P/E multiple is at a 30% discount to 9.0x 10-year avg. forward P/E. We believe the stock is undervalued, given its 66.2% shareholding in A-share subsidiary, Tongda Smart Tech (001368 CH; mkt cap: HK\$3.2bn), and Tongda's FY24 net cash of HK\$635mn.

Figure 5: 12M forward P/E band



Source: Company data, CMBIGM estimates

Figure 6: 12M forward P/B band



Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
Revenue	7,972	6,522	5,590	5,923	6,593	7,212
Cost of goods sold	(6,742)	(6,176)	(5,918)	(4,966)	(5,455)	(5,946)
Gross profit	1,230	346	(328)	957	1,138	1,266
Operating expenses	(1,233)	(1,292)	(1,181)	(861)	(960)	(1,050)
Selling expense	(66)	(82)	(66)	(62)	(69)	(76)
Admin expense	(1,167)	(1,211)	(1,115)	(799)	(890)	(974)
SG&A expense	0	0	0	0	0	0
Others	(97)	(147)	(361)	(6)	(7)	(7)
Operating profit	302	(1,094)	(3,820)	90	172	209
EBITDA	1,962	552	(3,187)	746	844	687
Other income/expense	82	138	45	125	132	144
Others	(165)	(197)	(97)	37	36	36
Pre-tax profit	219	(1,153)	(3,871)	251	340	389
Income tax	(67)	(52)	(33)	(29)	(37)	(43)
Minority interest	14	25	38	40	45	52
Net profit	137	(1,230)	(3,942)	182	257	295
Adjusted net profit	137	(1,230)	(3,942)	182	257	295

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
Current assets	7,993	8,034	4,438	4,115	6,460	6,335
Cash & equivalents	1,195	1,160	841	493	2,303	2,113
Account receivables	2,159	1,907	2,119	2,146	2,602	2,592
Inventories	2,351	1,267	714	711	791	865
Prepayment	653	623	144	144	144	144
Other current assets	2,829	4,237	1,462	1,114	2,924	2,734
Non-current assets	6,236	5,269	2,716	2,260	1,788	1,300
PP&E	5,598	4,552	2,003	1,546	1,074	587
Other non-current assets	638	717	713	713	713	713
Total assets	14,229	13,303	7,154	6,375	8,248	7,636
Current liabilities	5,444	5,073	3,661	2,625	4,151	3,140
Short-term borrowings	1,928	1,878	548	590	647	712
Account payables	2,531	1,837	2,525	1,448	2,916	1,841
Other current liabilities	(17,551)	(15,336)	(8,735)	(7,457)	(8,801)	(7,636)
Non-current liabilities	1,154	1,226	589	622	667	719
Long-term borrowings	1,051	1,065	432	466	511	562
Other non-current liabilities	103	161	156	156	156	156
Total liabilities	6,598	6,299	4,249	3,247	4,818	3,859
Share capital	97	97	97	97	97	97
Other reserves	7,466	6,585	2,508	2,690	2,947	3,242
Total shareholders equity	7,631	7,003	2,905	3,127	3,430	3,776
Minority interest	68	321	299	340	385	437
Total equity and liabilities	14,229	13,303	7,154	6,375	8,248	7,636

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
Operating						
Profit before taxation	219	(1,153)	(3,871)	251	340	389
Depreciation & amortization	1,660	1,645	633	657	672	687
Change in working capital	279	643	1,030	(1,102)	933	(1,141)
Others	(1,415)	(1,128)	2,793	(40)	(44)	(73)
Net cash from operations	743	7	584	(234)	1,901	(137)
Investing						
Capital expenditure	(600)	(600)	(631)	(200)	(200)	(200)
Others	251	225	1,561	11	6	30
Net cash from investing	(349)	(375)	930	(189)	(194)	(170)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	(591)	(35)	(1,963)	75	102	117
Proceeds from share issues	0	0	0	0	0	0
Others	277	710	(107)	0	0	0
Net cash from financing	(314)	675	(2,070)	75	102	117
Net change in cash						
Cash at the beginning of the year	1,366	1,195	1,160	841	493	2,303
Exchange difference	(251)	(341)	236	0	0	0
Cash at the end of the year	1,195	1,160	841	493	2,303	2,113
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(15.5%)	(18.2%)	(14.3%)	6.0%	11.3%	9.4%
Gross profit	(18.2%)	(71.9%)	na	na	19.0%	11.2%
Operating profit	(2.0%)	na	na	na	92.2%	21.5%
EBITDA	423.2%	(71.9%)	na	na	13.1%	(18.6%)
Net profit	(39.8%)	na	na	na	41.2%	14.5%
Adj. net profit	(39.8%)	na	na	na	41.2%	14.5%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	15.4%	5.3%	(5.9%)	16.2%	17.3%	17.6%
Operating margin	3.8%	(16.8%)	(68.3%)	1.5%	2.6%	2.9%
EBITDA margin	24.6%	8.5%	(57.0%)	12.6%	12.8%	9.5%
Adj. net profit margin	1.7%	(18.9%)	(70.5%)	3.1%	3.9%	4.1%
Return on equity (ROE)	1.7%	(16.8%)	(79.6%)	6.0%	7.8%	8.2%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.2	0.3	0.0	0.2	(0.3)	(0.2)
Current ratio (x)	1.5	1.6	1.2	1.6	1.6	2.0
Receivable turnover days	125.4	113.8	131.4	131.4	131.4	131.4
Inventory turnover days	149.6	106.9	61.1	52.4	50.2	50.8
Payable turnover days	170.6	129.1	134.5	146.0	146.0	146.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	8.1	ns	ns	6.1	4.4	3.8
P/B	0.1	0.2	0.4	0.4	0.3	0.3
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

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

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UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

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