

Naura Technology (002371 CH)

Solid Q3 earnings signal intact growth trajectory

Naura announced 3Q24 results. Q3 revenue was RMB8.0bn, up 30.1% YoY and 23.8% QoQ, driven by significant growth in semiconductor equipment sales (up 47.0% in 9M24). NP was RMB1.7bn, up 55.0% YoY and 1.7% QoQ. GPM was 42.3%, up 5.9ppts from 3Q23 but declined 5.1ppts sequentially, mainly due to 1) higher photovoltaic (PV) equipment sales that had a lower GPM and 2) seasonal fluctuations in gross margins of semiconductor equipment business. Overall, Q3 was a solid quarter with robust revenue and net profit growth. **Maintain BUY, with TP adjusted to RMB426, reflecting 30x rollover 2025E P/E (vs. prev. 35.8x).**

- **9M24 results showed Naura is on track with stellar growth.** 9M24 revenue grew 39.5% YoY, benefiting from continuously strong sales of domestic semiconductor equipment (up 47.0% YoY in 9M24) due to China's semi localization trend. 2025E bookings remain a key focus for most investors but have not been announced yet (2024 bookings were announced in Jan, 2024). We maintain our sales growth forecasts for 2024/25E at 39.7%/26.5% YoY.
- **Margin decreased 5.1ppts QoQ in 3Q24, a similar seasonality observed in 3Q23** (down 7.0ppts) in addition to a negative impact from increased PV equipment sales. We revise down our 2024/25E GPM forecast by 1.3ppts/1.1ppts to reflect the seasonality trend in 2024/25E, but we expect GPM to continue its upward trend (43.7%/44.3%) in 2024/25E on a favourable product mix. We slightly lower our NP forecasts by 3%/4% in 24/25E considering continued investments in R&D.
- **Maintain BUY with TP adjusted to RMB426, based on 30x rollover 2025E P/E**, close to its historical 2-year forward P/E. New TP also reflects 1.0x PEG. Potential risks include 1) worsening China-US trade relations, 2) heightened geopolitical tensions, 3) slower-than-expected R&D.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	14,688	22,079	30,856	39,030	48,443
YoY growth (%)	51.7	50.3	39.7	26.5	24.1
Gross margin (%)	43.8	41.1	43.7	44.3	45.3
Net profit (RMB mn)	2,352.7	3,899.1	5,806.1	7,546.5	9,872.6
YoY growth (%)	118.4	65.7	48.9	30.0	30.8
EPS (Reported) (RMB)	4.46	7.36	10.93	14.21	18.59
P/S (x)	14.0	9.3	6.7	5.3	4.3
P/E (x)	87.1	52.8	35.5	27.4	20.9
ROE (%)	12.8	17.7	21.3	22.5	23.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB426.00
(Previous TP RMB405.00)
Up/Downside 9.6%
Current Price RMB388.70

China Semiconductors

Lily YANG, Ph.D
(852) 3916 3716
lilyyang@cmbi.com.hk

Kevin ZHANG
(852) 3761 8727
kevinzhang@cmbi.com.hk

Stock Data

Mkt Cap (RMB mn) 206,114.5
Avg 3 mths t/o (RMB mn) 2,171.1
52w High/Low (RMB) 405.00/216.52
Total Issued Shares (mn) 530.3
Source: FactSet

Shareholding Structure

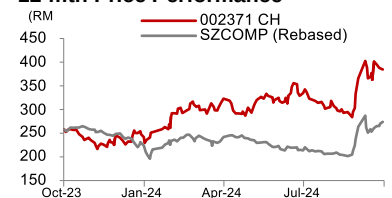
Beijing Sevenstar Huadian 33.6%
Technology Gro
Beijing Electronics Holding 9.4%
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	16.6%	2.7%
3-mth	16.1%	-8.0%
6-mth	20.3%	7.9%

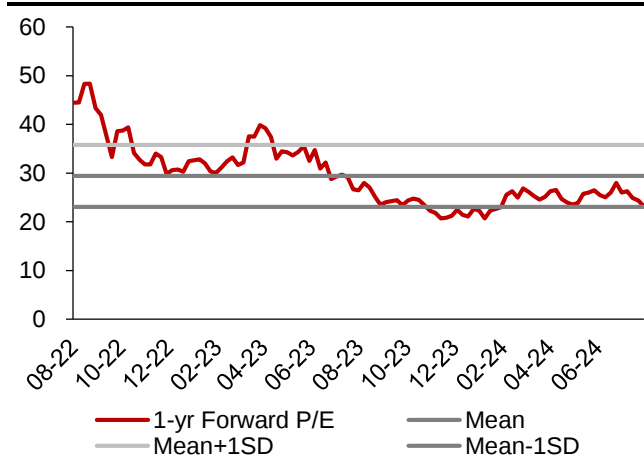
Source: FactSet

12-mth Price Performance



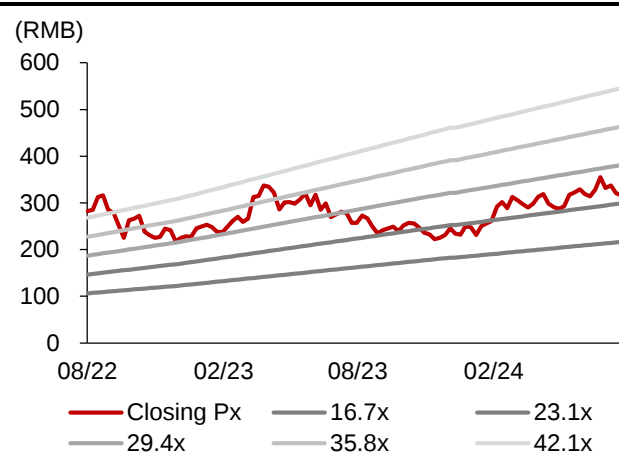
Source: FactSet

Figure 1: 1-yr forward PE band



Source: Company data, Bloomberg

Figure 2: PE chart



Source: Company data, Bloomberg

Figure 3: Earnings revisions

RMBmn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	30,856	39,030	48,443	30,856	39,030	48,443	0%	0%	0%
Gross profit	13,475	17,296	21,956	13,890	17,714	22,248	-3%	-2%	-1%
Net profit	5,806	7,547	9,873	6,013	7,875	10,330	-3%	-4%	-4%
EPS (RMB)	10.93	14.21	18.59	11.32	14.83	19.45	-3%	-4%	-4%
Gross margin	43.7%	44.3%	45.3%	45.0%	45.4%	45.9%	-1.3 ppt	-1.1 ppt	-0.6 ppt
Net margin	18.8%	19.3%	20.4%	19.5%	20.2%	21.3%	-0.7 ppt	-0.8 ppt	-0.9 ppt

Source: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates vs. Bloomberg consensus

RMBmn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	30,856	39,030	48,443	29,996	39,146	48,504	3%	0%	0%
Gross profit	13,475	17,296	21,956	13,132	17,207	21,471	3%	1%	2%
Net profit	5,806	7,547	9,873	5,722	7,652	9,782	1%	-1%	1%
EPS (RMB)	10.93	14.21	18.59	10.81	14.35	18.24	1%	-1%	2%
Gross margin	43.7%	44.3%	45.3%	43.8%	44.0%	44.3%	-0.1 ppt	0.4 ppt	1.1 ppt
Net margin	18.8%	19.3%	20.4%	19.1%	19.5%	20.2%	-0.3 ppt	-0.2 ppt	0.2 ppt

Source: Company data, CMBIGM estimates, Bloomberg consensus

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	9,683	14,688	22,079	30,856	39,030	48,443
Cost of goods sold	(5,867)	(8,250)	(13,005)	(17,381)	(21,734)	(26,487)
Gross profit	3,817	6,438	9,075	13,475	17,296	21,956
Operating expenses	(2,580)	(3,571)	(4,627)	(6,674)	(8,453)	(10,383)
Selling expense	(84)	(135)	(167)	(203)	(237)	(270)
SG&A expense	(1,705)	(2,224)	(2,836)	(3,532)	(4,312)	(5,158)
R&D expense	(1,297)	(1,845)	(2,475)	(3,703)	(4,606)	(5,619)
Others	507	633	852	763	701	664
Operating profit	1,236	2,867	4,448	6,801	8,843	11,573
Other income	18	14	22	20	22	24
Other expense	(2)	(27)	(4)	0	0	0
Pre-tax profit	1,253	2,854	4,466	6,821	8,865	11,597
Income tax	(59)	(313)	(433)	(1,023)	(1,330)	(1,740)
After tax profit	1,193	2,541	4,033	5,797	7,535	9,858
Minority interest	116	188	134	(9)	(11)	(15)
Net profit	1,077	2,353	3,899	5,806	7,547	9,873

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	22,323	31,117	38,226	44,723	50,314	59,110
Cash & equivalents	9,068	10,435	12,451	10,866	11,125	12,852
Account receivables	1,899	2,995	3,767	6,377	7,524	8,933
Inventories	8,035	13,041	16,992	23,009	25,818	31,509
Prepayment	658	1,551	1,480	1,446	1,439	1,543
Other current assets	2,663	3,096	3,535	3,025	4,409	4,272
Non-current assets	8,732	11,434	15,399	19,153	22,927	26,921
PP&E	2,423	2,484	3,352	5,735	6,755	7,870
Right-of-use assets	68	147	215	266	306	326
Deferred income tax	473	363	450	493	566	665
Intangibles	2,063	2,003	2,547	5,536	8,037	10,208
Goodwill	17	18	27	27	27	27
Other non-current assets	3,689	6,419	8,808	7,095	7,235	7,825
Total assets	31,054	42,551	53,625	63,876	73,241	86,030
Current liabilities	11,268	15,770	19,083	24,041	26,119	29,133
Short-term borrowings	0	227	23	23	49	81
Account payables	3,499	5,592	6,117	11,026	12,553	15,022
Tax payable	110	130	209	107	122	144
Other current liabilities	2,096	1,841	3,418	3,075	3,430	4,296
Contract liabilities	5,046	7,198	8,317	8,962	8,991	8,448
Accrued expenses	517	782	999	848	972	1,142
Non-current liabilities	2,588	6,797	9,717	9,327	9,696	10,415
Long-term borrowings	0	3,740	5,835	5,297	5,103	5,053
Bond payables	0	0	0	0	0	0
Deferred income	0	2	4	4	4	4
Other non-current liabilities	2,587	3,055	3,877	4,026	4,589	5,358
Total liabilities	13,856	22,567	28,800	33,368	35,814	39,548
Share capital	526	529	530	531	531	531
Retained earnings	2,924	5,159	8,776	14,168	21,098	30,169
Other reserves	13,448	14,058	15,061	15,360	15,360	15,360
Total shareholders equity	16,898	19,746	24,367	30,059	36,989	46,060
Minority interest	301	238	458	449	438	423
Total equity and liabilities	31,054	42,551	53,625	63,876	73,241	86,030

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,253	2,854	4,466	6,821	8,865	11,597
Depreciation & amortization	460	552	730	946	1,594	2,197
Tax paid	(59)	(313)	(433)	(1,023)	(1,330)	(1,740)
Change in working capital	(3,133)	(4,424)	(3,409)	(3,613)	(3,316)	(3,592)
Others	703	603	1,012	(2,325)	(2,798)	(3,510)
Net cash from operations	(777)	(728)	2,365	805	3,014	4,953
Investing						
Capital expenditure	(447)	(1,409)	(1,980)	(1,792)	(2,160)	(2,761)
Acquisition of subsidiaries/ investments	0	(15)	(81)	0	0	0
Net proceeds from disposal of short-term investments	0	0	3	0	0	0
Others	0	1	0	221	341	504
Net cash from investing	(447)	(1,423)	(2,058)	(1,571)	(1,819)	(2,258)
Financing						
Dividend paid	(114)	(241)	(388)	(589)	(781)	(963)
Net borrowings	(602)	3,453	1,888	(523)	(168)	(17)
Proceeds from share issues	8,497	157	212	299	0	0
Others	(101)	(24)	(66)	1	0	0
Net cash from financing	7,680	3,345	1,647	(812)	(949)	(980)
Net change in cash						
Cash at the beginning of the year	2,578	9,031	10,261	12,229	10,665	10,923
Exchange difference	(4)	37	14	11	12	12
Others	6,457	1,194	1,954	(1,575)	247	1,715
Cash at the end of the year	9,031	10,261	12,229	10,665	10,923	12,651
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	59.9%	51.7%	50.3%	39.7%	26.5%	24.1%
Gross profit	71.8%	68.7%	40.9%	48.5%	28.4%	26.9%
Operating profit	84.8%	131.9%	55.1%	52.9%	30.0%	30.9%
Net profit	100.7%	118.4%	65.7%	48.9%	30.0%	30.8%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	39.4%	43.8%	41.1%	43.7%	44.3%	45.3%
Operating margin	12.8%	19.5%	20.1%	22.0%	22.7%	23.9%
Return on equity (ROE)	9.1%	12.8%	17.7%	21.3%	22.5%	23.8%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	2.0	2.0	2.0	1.9	1.9	2.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	181.0	87.1	52.8	35.5	27.4	20.9
P/E (diluted)	181.0	87.4	53.0	35.5	27.4	20.9

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM

OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.