

Maxscend (300782 CH)

1H22 profit alert: weak 2Q market dragged performance

Maxscend announced its 1H22 profit alert. Preliminary 1H22 revenue is est. to be RMB2,235mn, showing 5.3% YoY decline. 1H22 NP to shareholders is expected to drop 29.7%-24.7% YoY to RMB713mn-RMB764mn. We believe this reflects a weak consumer electronic market in 2Q. However, the outlook for smartphone market is grim and market uncertainties remain high. We cut FY22/23 NP forecasts by 26%/28%, and trim our TP to RMB138. Maintain BUY.

- **Weak 2Q consumer electronic market is well expected.** For 2Q, revenue (RMB905mn) fell 23.1% YoY and 32% QoQ and NP to shareholders (mid-point est: RMB279mn) dropped 46.5% YoY and 39.2% QoQ. 1H22 revenue/NP accounted for 43%/41% of our full year forecasts. NPM dropped 3.7% YoY to 30.8% in 2Q (vs. 46.1%/34.5% in FY21/1Q22). We believe the results are largely due to a weak market and sector-wide high level of inventory.
- **The outlook for smartphone market is grim and market uncertainties remain high.** We think the headwind for consumer market (such as smartphone, PC, etc.) will persist into 2H22, particularly in Android market. In addition, the unfavorable market condition will affect the Company's profitability due to weakening consumer spending. Accordingly, we cut FY22/23 NP forecasts by 26%/28%.
- **Riding on the tailwind of localization trend with boarder portfolio of RF components.** Maxscend also announced a significant breakthrough of SAW filter development and production. The self-designed and produced SAW filters have completed small-scale production and are expected to begin mass production in 3Q. We believe the self-developed SAW filter products will improve Maxscend's competitiveness in RF market. Moreover, the trend of localization stays intact. We are optimistic in Maxscend's long-term outlook given its leading domestic market position and broader spectrum of offerings.
- **Maintain BUY with new TP of RMB138.** TP of RMB138 is based on 36x FY22E P/E (~1SD below 2-yr avg). **Potential risks** include 1) weaken consumer demand, 2) intensified competition, 3) slower-than-expected R&D and 4) further deteriorated marco environment. **Potential upside** includes M&A opportunity.

Earnings Summary (FY21E)

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Turnover (RMB mn)	2,792	4,634	5,160	6,751	8,719
YoY growth (%)	84.6%	66.0%	11.4%	30.8%	29.2%
Gross margin (%)	52.6%	57.7%	51.4%	49.9%	48.4%
Net profit (RMB mn)	1,073	2,135	1,816	2,340	2,887
YoY growth (%)	115.8%	99.0%	-15.0%	28.9%	23.4%
EPS (RMB)	3.31	4.01	3.83	4.94	6.10
Consensus EPS (RMB)	NA	NA	7.67	9.81	0.00
PE (x)	36.0	29.7	31.1	24.1	19.6
Yield (%)	0.8%	0.6%	0.6%	0.6%	0.6%
Roe (%)	40.3%	27.9%	19.8%	20.7%	20.8%
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB138.00
(Previous TP	RMB173.75)
Up/Downside	+15.8%
Current Price	RMB119.19

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Stock Data

Mkt Cap (RMB mn)	63,617
Avg 3 mths t/o (RMB\$ mn)	801
52w High/Low (RMB\$)	306.25/101.5
Total Issued Shares (mn)	533.7

Source: Bloomberg

Shareholding Structure

WX HUIZHI UNITED INV ENT	12.79%
Feng Chenhui	7.87%
Tang Zhuang	7.67%

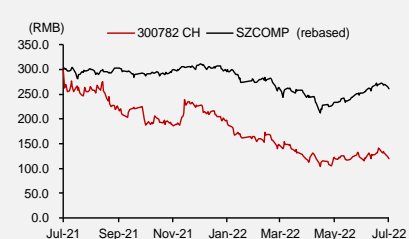
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	1.7%	-3.0%
3-mth	5.0%	-3.4%
6-mth	-37.2%	-30.0%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: BDO

Earnings preview

Figure 1: Quarterly results

RMB mn	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	QoQ	YoY
Revenue	1,183	1,176	1,124	1,150	1,330	905	-32.0%	-23.1%
Gross Profit	684	676	660	655	697			
Operating Profit	572	607	566	475	533			
Net profit	492	522	513	608	459	279	-39.2%	-46.5%
EPS (RMB)	0.83	0.87	0.85	1.01	0.86			
Gross Margin	57.8%	57.4%	58.7%	57.0%	52.4%			
Operating Margin	48.4%	51.6%	50.4%	41.3%	40.1%			
Net Margin	41.6%	44.4%	45.6%	52.8%	34.5%	30.8%	-3.7 ppt	-13.5 ppt

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn	FY22E	New FY23E	FY24E	FY22E	Old FY23E	FY24E	FY22E	Diff (%)	FY23E	FY24E
Revenue	5,160	6,751	8,719	6,299	8,265	na	-18%	-18%	na	na
Gross Profit	2,652	3,371	4,219	3,439	4,403	na	-23%	-23%	na	na
Operating Profit	2,109	2,718	3,354	2,663	3,403	na	-21%	-20%	na	na
Net profit	1,816	2,340	2,887	2,467	3,236	na	-26%	-28%	na	na
EPS (RMB)	3.83	4.94	6.10	4.69	6.16	na	-18%	-20%	na	na
Gross Margin	51.4%	49.9%	48.4%	54.6%	53.3%	na	-3.2 ppt	-3.3 ppt	na	na
Operating Margin	40.9%	40.3%	38.5%	42.3%	41.2%	na	-1.4 ppt	-0.9 ppt	na	na
Net Margin	35.2%	34.7%	33.1%	39.2%	39.2%	na	-4 ppt	-4.5 ppt	na	na

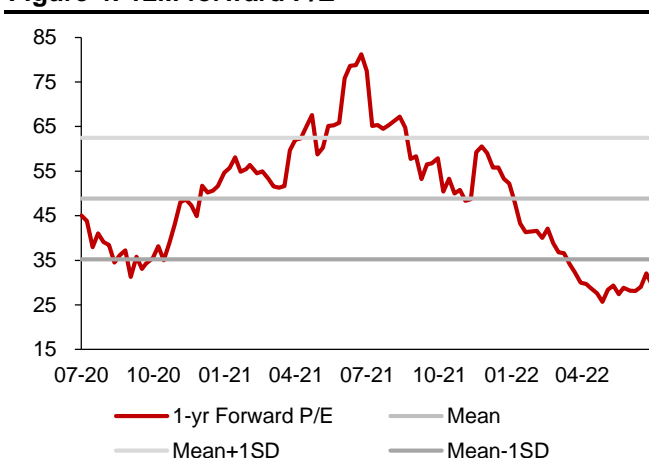
Source: Company data, CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	FY22E	CMBI FY23E	FY24E	FY22E	Consensus FY23E	FY24E	FY22E	Diff (%)	FY23E	FY24E
Revenue	5,160	6,751	8,719	5,844	7,453	9,087	-12%	-9%	-4%	-4%
Gross Profit	2,652	3,371	4,219	3,016	3,780	4,562	-12%	-11%	-8%	-8%
Operating Profit	2,109	2,718	3,354	2,466	3,133	3,864	-14%	-13%	-13%	-13%
Net profit	1,816	2,340	2,887	2,195	2,805	3,467	-17%	-17%	-17%	-17%
EPS (RMB)	3.83	4.94	6.10	4.02	5.10	6.20	-5%	-3%	-2%	-2%
Gross Margin	51.4%	49.9%	48.4%	51.6%	50.7%	50.2%	-0.2 ppt	-0.8 ppt	-1.8 ppt	-1.8 ppt
Operating Margin	40.9%	40.3%	38.5%	42.2%	42.0%	42.5%	-1.3 ppt	-1.8 ppt	-4.1 ppt	-4.1 ppt
Net Margin	35.2%	34.7%	33.1%	37.6%	37.6%	38.1%	-2.4 ppt	-3 ppt	-5 ppt	-5 ppt

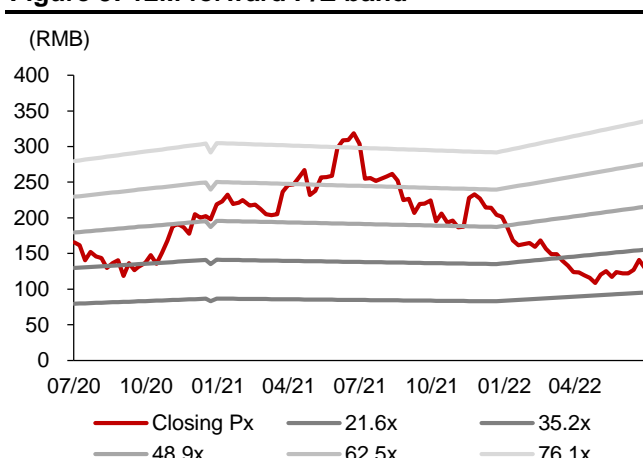
Source: Company data, CMBIS estimates

Figure 4: 12M forward P/E



Source: Company data, CMBIGM estimates

Figure 5: 12M forward P/E band



Source: Company data, CMBIGM estimates

Financial Summary (FY21A)

Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	2,792	4,634	5,160	6,751	8,719
Cost of sales	(1,323)	(1,959)	(2,508)	(3,380)	(4,501)
Gross profit	1,469	2,675	2,652	3,371	4,219
Selling exp	(28)	(45)	(50)	(65)	(84)
Admin exp	(32)	(53)	(52)	(68)	(87)
R&D exp	(182)	(304)	(339)	(443)	(573)
Finance costs	(19)	(12)	11	7	7
Other operating inc./exp.	10	(39)	(114)	(84)	(128)
Operating profit	1,218	2,221	2,109	2,718	3,354
Other non-oper exp.	(1)	194	-	-	-
Pre-tax profit	1,217	2,415	2,109	2,718	3,354
Income tax expense	(147)	(280)	(293)	(378)	(466)
Minority interests	(2)	(0)	(0)	(0)	(0)
Net profit to shareholders	1,073	2,135	1,816	2,340	2,887

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Net profit	1,071	2,135	1,816	2,340	2,887
Depreciation/amortization	28	47	80	125	179
Change in working capital	(103)	(1,086)	38	(1,209)	(223)
Others	9	54	(1,212)	(210)	(1,096)
Net cash from operating	1,005	1,150	722	1,045	1,747
Capex	(153)	(2,858)	(268)	(333)	(413)
Other	284	(497)	(327)	12	11
Net cash from investing	130	(3,356)	(595)	(322)	(402)
Share issuance	0	0	0	0	0
Dividend paid	(100)	(185)	(234)	(199)	(256)
Other	(1)	2,965	(750)	(748)	(748)
Net cash from financing	(101)	2,780	(984)	(946)	(1,004)
Net change in cash	1,035	574	(856)	(223)	342
Cash, beg	477	1,475	2,020	1,134	882
Exchange adj.	(37)	(29)	(29)	(29)	(29)
Cash, end	1,475	2,020	1,134	882	1,194

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Current assets	2,652	4,980	4,535	5,733	6,546
Cash & equivalents	1,475	2,661	2,083	1,831	2,143
Account receivables	338	572	615	939	1,068
Inventory	632	1,476	1,410	2,479	2,699
Prepayment	32	12	43	56	73
Other current assets	175	259	384	428	563
Non-current assets	439	3,468	5,697	6,911	9,059
PPE	103	246	394	551	720
Deferred tax assets	10	23	35	38	50
Other non-current assets	326	3,199	5,269	6,322	8,289
Total assets	3,090	8,448	10,233	12,645	15,605
Current liabilities	403	752	953	1,251	1,582
ST borrowings	0	0	0	0	0
Account payables	224	376	476	672	857
Tax payable	116	298	418	481	615
Other current liabilities	64	78	59	98	109
Non-current liabilities	35	62	99	107	141
LT borrowings	0	0	0	0	0
Deferred tax liability	33	60	76	92	114
Other non-current	2	1	23	15	27
Total liabilities	438	813	1,052	1,358	1,723
Share capital	180	334	474	474	474
Reserve	860	3,689	3,549	3,549	3,549
Retained earnings	1,556	3,428	4,860	6,832	9,274
Other	65	191	306	440	594
Minority interest	-8	-8	-8	-8	-8
Total equity	2,652	7,634	9,181	11,286	13,882
Total liabilities and	3,090	8,448	10,233	12,645	15,605

Key ratios

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue by segment					
RFFE discrete	2462	3352	3964	4324	4806
RFFE module	278	1201	9845	10889	12088
Other	52	81	775	827	927
Growth (%)					
Revenue	84.6%	66.0%	11.4%	30.8%	29.2%
Gross profit	85.1%	82.1%	-0.9%	27.1%	25.1%
Operating profit	116.5%	82.3%	-5.1%	28.9%	23.4%
Net profit	115.8%	99.0%	-15.0%	28.9%	23.4%
Profit & loss ratio (%)					
Gross margin	52.6%	57.7%	51.4%	49.9%	48.4%
Operating margin	43.6%	47.9%	40.9%	40.3%	38.5%
Net profit margin	38.4%	46.1%	35.2%	34.7%	33.1%
Balance sheet ratio					
Net debt/total equity (%)	Net	Net	Net	Net	Net
Current ratio (x)	6.6	6.6	4.8	4.6	4.1
Receivable turnover days	47	36	42	42	42
Inventory turnover days	(138)	(196)	(210)	(210)	(210)
Payable turnover days	(49)	(56)	(62)	(62)	(62)
Profitability (%)					
ROE	40.3%	27.9%	19.8%	20.7%	20.8%
ROA	34.7%	25.3%	17.7%	18.5%	18.5%
Per share data (RMB)					
EPS	3.31	4.01	3.83	4.94	6.10
DPS	1.00	0.70	0.70	0.70	0.70
BPS	14.78	22.97	19.40	23.84	29.32

Source: Company data, CMBIGM estimates

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