

# Luxshare (002475 CH)

## Strong 2019 finish; Well-positioned in 5G cycle

Luxshare reported FY19 preliminary revenue/net profit growth of 74%/73% YoY. Net profit is 24%/14% above our estimates/consensus, and also beat its prior NP growth guidance of 45-55% YoY. 4Q19 revenue/net profit grew 79%/72% YoY, beating consensus by 36%/38%, thanks to 1) strong AirPods momentum, 2) iPhone 11 strength and 3) solid growth in comm/auto, in our view. We revised up FY20/21E EPS by 34%/39% and raised TP to RMB55.4 based on 42x FY20E P/E (10% premium to peers). Luxshare is our A-share top pick given AirPods/Watch potential and major 5G beneficiary into 2020.

- **Strong AirPods momentum into 2020E.** In view of stronger-than-expected AirPods demand and positive customer feedback, we estimate AirPods shipment to reach 100mn/120mn in FY20E/21E (vs 60mn in FY19), and Luxshare will ship 65mn units in FY20E, accounting for 50% of FY20E revenue (vs 42% in FY19). In addition, we believe adoption of SiP packaging technology and continued spec upgrade (e.g. processor, battery, wireless charging) in next-gen AirPods will boost ASP upside in FY20E/21E.
- **Riding on Apple 5G product cycles.** We believe Luxshare will continue to expand into Apple supply chain in 2020E ranging from Macbook/ iPad to iPhone and wearables (Watch/ AirPods). Luxshare is set to benefit from iPhone 11/SE2 volume growth in 1H20E, and further gain share allocation in new 5G iPhones in 2H20E, leveraging strong product portfolio of antenna, acoustics, haptics and wireless charging. We estimate non-Airpods revenue from Apple will account for 24%/22% of revenue in FY20E/21E.
- **Well-positioned to capture 5G opportunities.** Looking ahead, Luxshare is well-placed to capture growth opportunities in 5G era backed by its solid product roadmap, including 1) massive MIMO and compact filter-antenna and 2) optical solutions in datacenter/telecom. In the meantime, Luxshare is also aggressively expanding Vietnam capacity to diversify tariff risks.
- **Our FY20/21E NP are 21%/16% above consensus. Raise TP to RMB55.4.** We revised up our FY20/21E net profit by 34%/29% and revenue by 35%/32% to factor in stronger AirPods shipment and ASP. Hence, we lifted our TP to RMB55.4, based on higher 42x FY20E P/E, 10% premium to peers of 37x given stronger earnings growth and promising growth profile. Upcoming catalysts include stronger AirPods shipment and 5G iPhone launch.

### Earnings Summary

| (YE31Dec)           | FY17A  | FY18A  | FY19E  | FY20E  | FY21E   |
|---------------------|--------|--------|--------|--------|---------|
| Revenue (RMB mn)    | 22,826 | 35,850 | 62,380 | 92,759 | 113,375 |
| YoY growth (%)      | 65.9   | 57.1   | 74.0   | 48.7   | 22.2    |
| Net income (RMB mn) | 1,691  | 2,723  | 4,721  | 7,074  | 8,911   |
| EPS (RMB)           | 0.32   | 0.51   | 0.88   | 1.32   | 1.66    |
| YoY growth (%)      | 46.2   | 61.0   | 73.4   | 49.8   | 26.0    |
| P/E (x)             | 148.4  | 92.1   | 53.1   | 35.5   | 28.2    |
| P/B (x)             | 18.0   | 15.0   | 11.8   | 9.0    | 6.9     |
| Yield (%)           | 0.1    | 0.1    | 0.1    | 0.2    | 0.3     |
| ROE (%)             | 12     | 16     | 22.3   | 25.3   | 24.6    |
| Net gearing (%)     | 10     | 40     | 26     | 25     | 28      |

Source: Company data, CMBIS estimate

**BUY (Maintain)**

Target Price **RMB55.4**  
 (Previous TP **RMB32.1**)  
 Up/Downside **+18.0%**  
 Current Price **RMB46.8**

### China Technology Sector

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#### Stock Data

|                          |              |
|--------------------------|--------------|
| Mkt. Cap. (RMBmn)        | 250,119      |
| Avg. 3mths t/o (RMBmn)   | 2,941.64     |
| 52W High/Low (RMB)       | 51.63/ 14.89 |
| Total Issued Shares (mn) | 5,349        |
| Source: Bloomberg        |              |

#### Shareholding Structure

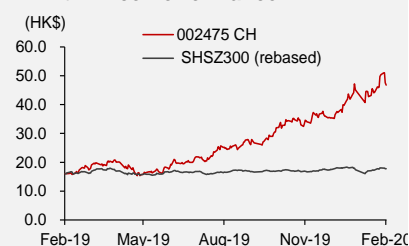
|                        |        |
|------------------------|--------|
| Luxshare Ltd           | 45.11% |
| HK Securities Clearing | 5.62%  |
| Boyuan Hongcheng       | 2.83%  |
| Source: HKEx           |        |

#### Share Performance

|       | Absolute | Relative |
|-------|----------|----------|
| 1-mth | 5.4%     | 3.7%     |
| 3-mth | 43.0%    | 36.6%    |
| 6-mth | 89.4%    | 75.1%    |

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

Auditor: BDO

## Earnings Revision

Figure 1: FY19 results review

| RMB mn           | FY18   | FY19   | YoY      | CMBI   |          | Consensus |          |
|------------------|--------|--------|----------|--------|----------|-----------|----------|
|                  |        |        |          | FY19E  | Diff (%) | FY19E     | Diff (%) |
| Revenue          | 35,850 | 62,380 | 74%      | 51,940 | 20%      | 55,094    | 13%      |
| Gross Profit     | 7,546  | 13,074 | 73%      | 10,845 | 21%      | 11,411    | 15%      |
| Operating Profit | 3,294  | 5,903  | 79%      | 4,735  | 25%      | 5,086     | 16%      |
| Net profit       | 2,723  | 4,721  | 73%      | 3,815  | 24%      | 4,125     | 14%      |
| EPS (RMB)        | 0.51   | 0.88   | 73%      | 0.93   | -5%      | 0.77      | 14%      |
| Gross Margin     | 21.0%  | 21.0%  | -0.1 ppt | 20.9%  | -0.1 ppt | 20.7%     | -0.2 ppt |
| Operating Margin | 9.2%   | 9.5%   | 0.3 ppt  | 9.1%   | -0.4 ppt | 9.2%      | -0.2 ppt |
| Net Margin       | 7.6%   | 7.6%   | 0 ppt    | 7.3%   | -0.3 ppt | 7.5%      | -0.1 ppt |

Source: Company data, Bloomberg, CMBIS

Figure 2: Earnings revision

| RMB mn           | New    |         | Old    |        | Diff (%) |          |
|------------------|--------|---------|--------|--------|----------|----------|
|                  | FY20E  | FY21E   | FY20E  | FY21E  | FY20E    | FY21E    |
| Revenue          | 92,759 | 113,375 | 68,638 | 85,941 | 35%      | 32%      |
| Gross Profit     | 19,536 | 24,023  | 14,393 | 18,128 | 36%      | 33%      |
| Operating Profit | 8,731  | 10,940  | 6,459  | 8,340  | 35%      | 31%      |
| Net profit       | 7,074  | 8,911   | 5,283  | 6,885  | 34%      | 29%      |
| EPS (RMB)        | 1.32   | 1.66    | 1.28   | 1.67   | 3%       | -1%      |
| Gross Margin     | 21.1%  | 21.2%   | 21.0%  | 21.1%  | 0.1 ppt  | 0.1 ppt  |
| Operating Margin | 9.4%   | 9.6%    | 9.4%   | 9.7%   | 0 ppt    | -0.1 ppt |
| Net Margin       | 7.6%   | 7.9%    | 7.7%   | 8.0%   | -0.1 ppt | -0.2 ppt |

Source: Company data, CMBIS

Figure 3: CMBI estimates vs consensus

| RMB mn           | CMBI   |        |         | Consensus |        |        | Diff (%) |         |         |
|------------------|--------|--------|---------|-----------|--------|--------|----------|---------|---------|
|                  | FY20E  | FY21E  | FY22E   | FY20E     | FY21E  | FY22E  | FY20E    | FY21E   | FY22E   |
| Revenue          | 62,380 | 92,759 | 113,375 | 55,094    | 76,160 | 98,660 | 13%      | 22%     | 15%     |
| Gross Profit     | 13,074 | 19,536 | 24,023  | 11,411    | 15,762 | 20,339 | 15%      | 24%     | 18%     |
| Operating Profit | 5,903  | 8,731  | 10,940  | 5,086     | 6,958  | 9,052  | 16%      | 25%     | 21%     |
| Net profit       | 4,721  | 7,074  | 8,911   | 4,125     | 5,826  | 7,715  | 14%      | 21%     | 16%     |
| EPS (RMB)        | 0.88   | 1.32   | 1.66    | 0.77      | 1.12   | 1.47   | 14%      | 18%     | 13%     |
| Gross Margin     | 21.0%  | 21.1%  | 21.2%   | 20.7%     | 20.7%  | 20.6%  | 0.2 ppt  | 0.4 ppt | 0.6 ppt |
| Operating Margin | 9.5%   | 9.4%   | 9.6%    | 9.2%      | 9.1%   | 9.2%   | 0.2 ppt  | 0.3 ppt | 0.5 ppt |
| Net Margin       | 7.6%   | 7.6%   | 7.9%    | 7.5%      | 7.6%   | 7.8%   | 0.1 ppt  | 0 ppt   | 0 ppt   |

Source: Bloomberg, CMBIS

Figure 4: Revenue breakdown

| RMB mn                         | FY17          | FY18          | FY19E         | FY20E         | FY21E          |
|--------------------------------|---------------|---------------|---------------|---------------|----------------|
| <b>Computer Connectors</b>     | <b>4,348</b>  | <b>3,733</b>  | <b>3,360</b>  | <b>3,192</b>  | <b>3,032</b>   |
| ...YoY                         | -6%           | -14%          | -10%          | -5%           | -5%            |
| <b>Automotive Interconnect</b> | <b>1,131</b>  | <b>1,728</b>  | <b>2,592</b>  | <b>3,629</b>  | <b>5,008</b>   |
| ...YoY                         | 25%           | 53%           | 50%           | 40%           | 38%            |
| <b>Comm. Interconnection</b>   | <b>1,655</b>  | <b>2,152</b>  | <b>3,443</b>  | <b>5,336</b>  | <b>8,004</b>   |
| ...YoY                         | 57%           | 30%           | 60%           | 55%           | 50%            |
| <b>Consumer Electronics</b>    | <b>15,188</b> | <b>26,807</b> | <b>47,934</b> | <b>73,024</b> | <b>85,964</b>  |
| ...YoY                         | 120%          | 76%           | 79%           | 52%           | 18%            |
| Type-C (Non-Apple)             | 2,300         | 2,500         | 2,750         | 3,025         | 3,328          |
| Dongle                         | 3,600         | 2,000         | 600           | -             | -              |
| Lightning, wireless, LCP       | 3,000         | 6,500         | 9,100         | 10,390        | 11,201         |
| Acoustics/haptics              | 1,260         | 2,592         | 5,231         | 5,556         | 6,534          |
| Apple Watch                    | 1,800         | 1,500         | 3,000         | 6,000         | 7,500          |
| AirPods                        | 1,000         | 8,237         | 26,250        | 46,550        | 55,146         |
| Others                         | 2,228         | 3,478         | 1,003         | 1,504         | 2,256          |
| <b>Other Connectors</b>        | <b>504</b>    | <b>1,431</b>  | <b>5,052</b>  | <b>7,578</b>  | <b>11,367</b>  |
| ...YoY                         | 73%           | 184%          | 253%          | 50%           | 50%            |
| <b>Total</b>                   | <b>22,826</b> | <b>35,850</b> | <b>62,380</b> | <b>92,759</b> | <b>113,375</b> |
| ...YoY                         | 66%           | 57%           | 74%           | 49%           | 22%            |

Source: Company data, CMBIS

Figure 5: P&amp;L forecast

| RMB mn                  | FY17          | FY18          | 1Q19         | 2Q19          | 3Q19          | 4Q19E         | FY19E         | FY20E         | FY21E          |
|-------------------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|----------------|
| <b>Revenue</b>          | <b>22,826</b> | <b>35,850</b> | <b>9,019</b> | <b>12,422</b> | <b>16,395</b> | <b>24,544</b> | <b>62,380</b> | <b>92,759</b> | <b>113,375</b> |
| ...YoY                  | 66%           | 57%           | 67%          | 88%           | 62%           | 79%           | 74%           | 49%           | 22%            |
| Cost of sales           | 18,260        | 28,304        | 7,315        | 10,001        | 12,777        | 19,214        | 49,306        | 73,223        | 89,351         |
| <b>Gross profit</b>     | <b>4,566</b>  | <b>7,546</b>  | <b>1,704</b> | <b>2,421</b>  | <b>3,618</b>  | <b>5,330</b>  | <b>13,074</b> | <b>19,536</b> | <b>24,023</b>  |
| GPM (%)                 | <b>20.0%</b>  | <b>21.0%</b>  | <b>18.9%</b> | <b>19.5%</b>  | <b>22.1%</b>  | <b>21.7%</b>  | <b>21.0%</b>  | <b>21.1%</b>  | <b>21.2%</b>   |
| ...YoY                  | 54%           | 65%           | 60%          | 86%           | 63%           | 80%           | 73%           | 49%           | 23%            |
| SG&A                    | 891           | 1,288         | 259          | 353           | 510           | 974           | 2,096         | 3,117         | 3,810          |
| ...% of rev             | 4%            | 4%            | 3%           | 3%            | 3%            | 4%            | 3%            | 3%            | 3%             |
| R&D                     | 1,542         | 2,515         | 688          | 890           | 1,306         | 1,491         | 4,376         | 6,507         | 7,953          |
| ...% of rev             | 7%            | 7%            | 8%           | 7%            | 8%            | 6%            | 7%            | 7%            | 7%             |
| <b>Operating profit</b> | <b>2,052</b>  | <b>3,294</b>  | <b>737</b>   | <b>1,152</b>  | <b>1,750</b>  | <b>2,264</b>  | <b>5,903</b>  | <b>8,731</b>  | <b>10,940</b>  |
| OPM (%)                 | 9.0%          | 9.2%          | 8.2%         | 9.3%          | 10.7%         | 9.2%          | 9.5%          | 9.4%          | 9.6%           |
| ...YoY                  | 57%           | 60%           | 96%          | 110%          | 66%           | 72%           | 79%           | 48%           | 25%            |
| <b>Net profit</b>       | <b>1,691</b>  | <b>2,723</b>  | <b>616</b>   | <b>886</b>    | <b>1,386</b>  | <b>1,833</b>  | <b>4,721</b>  | <b>7,074</b>  | <b>8,911</b>   |
| NPM (%)                 | 7.4%          | 7.6%          | 6.8%         | 7.1%          | 8.5%          | 7.5%          | 7.6%          | 7.6%          | 7.9%           |
| ...YoY                  | 46%           | 61%           | 85%          | 80%           | 67%           | 72%           | 73%           | 50%           | 26%            |

Source: Company data, CMBIS

## Valuation

### Reiterate BUY and raised TP to RMB55.4 (18% upside)

We derived our 12m TP of RMB55.4 based on 42x FY20E P/E, 10% premium to its peers of 37.8x. We believe this is justified as Luxshare continues to deliver strong earnings growth, market share gain and product expansion to capture 5G and wireless opportunities in next 3-5 years.

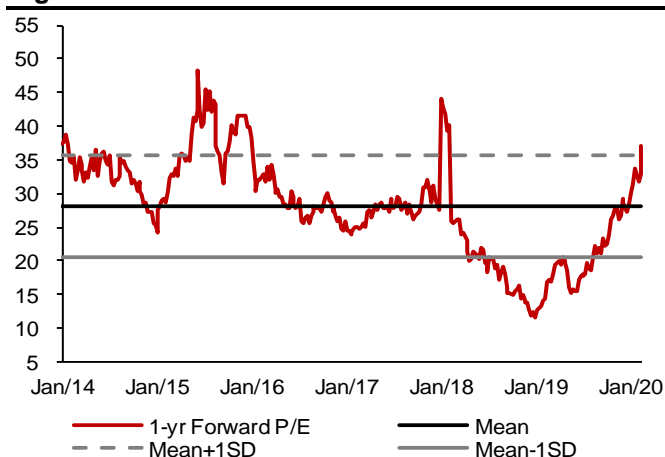
Upcoming catalysts include stronger AirPods shipment, launch of iPhone in 2H20E and China 5G subs ramp. Major risks include weaker AirPods demand, weaker yield improvement and slower integration of acquired businesses.

Figure 6: Peers' valuation

| Company                    | Ticker    | Rating | Market Cap<br>US\$(mn) | Price<br>(LC) | TP<br>(LC) | Up/<br>Down<br>-side | P/E (x)     |             | P/B (x)    |            | ROE (%)     |             |
|----------------------------|-----------|--------|------------------------|---------------|------------|----------------------|-------------|-------------|------------|------------|-------------|-------------|
|                            |           |        |                        |               |            |                      | FY19E       | FY20E       | FY19E      | FY20E      | FY19E       | FY20E       |
| <b>A-listed components</b> |           |        |                        |               |            |                      |             |             |            |            |             |             |
| Luxshare                   | 002475 CH | Buy    | 35,692                 | 46.76         | 55.4       | 18%                  | 53.1        | 35.5        | 11.8       | 9.0        | 22.3        | 25.3        |
| Goertek                    | 002241 CH | Hold   | 11,174                 | 24.13         | *9.1       | NA                   | 63.5        | 56.1        | 4.8        | 4.6        | 7.6         | 8.1         |
| O-film                     | 002456 CH | NR     | 7,944                  | 20.52         | NA         | NA                   | 105.2       | 36.8        | 6.1        | 5.4        | 5.5         | 14.9        |
| Sunway                     | 300136 CH | NR     | 7,380                  | 53.39         | NA         | NA                   | 48.9        | 36.3        | 10.9       | 8.4        | 23.4        | 24.6        |
| BOE                        | 000725 CH | NR     | 25,957                 | 5.29          | NA         | NA                   | 69.6        | 36.5        | 2.1        | 2.0        | 2.6         | 5.0         |
| Hans Laser                 | 002008 CH | NR     | 6,143                  | 40.34         | NA         | NA                   | 52.2        | 27.6        | 4.8        | 4.1        | 9.7         | 15.1        |
| Lens Tech                  | 300433 CH | NR     | 12,235                 | 20.17         | NA         | NA                   | 39.9        | 29.1        | 4.3        | 3.7        | 11.7        | 14.3        |
| Everwin                    | 300115 CH | NR     | 3,512                  | 27.05         | NA         | NA                   | 76.8        | 43.1        | 5.3        | 4.9        | 7.0         | 11.2        |
| Holitech                   | 002217 CH | NR     | 3,535                  | 7.95          | NA         | NA                   | -           | -           | -          | -          | -           | -           |
| <b>Average</b>             |           |        |                        |               |            |                      | <b>63.3</b> | <b>37.8</b> | <b>6.0</b> | <b>5.1</b> | <b>10.8</b> | <b>14.2</b> |
| <b>H-listed components</b> |           |        |                        |               |            |                      |             |             |            |            |             |             |
| FIT Hon Teng               | 6088 HK   | Buy    | 2,057                  | 2.33          | 3.8        | 62%                  | 7.7         | 6.8         | 0.9        | 0.8        | 12.1        | 12.2        |
| AAC Tech                   | 2018 HK   | Sell   | 8,474                  | 54.65         | 29.6       | -46%                 | 30.3        | 23.1        | 3.0        | 2.8        | 9.9         | 12.0        |
| Sunny Optical              | 2382 HK   | Hold   | 18,000                 | 127.90        | 131.0      | -3%                  | 36.4        | 28.4        | 10.6       | 8.4        | 29.0        | 30.0        |
| Tongda                     | 698 HK    | Buy    | 657                    | 0.79          | 1.2        | 46%                  | 6.1         | 5.2         | 0.7        | 0.7        | 11.7        | 12.8        |
| BYDE                       | 285 HK    | Hold   | 4,498                  | 15.56         | 18.4       | 18%                  | 21.1        | 14.4        | 1.8        | 1.7        | 8.7         | 11.6        |
| Q tech                     | 1478 HK   | Buy    | 1,776                  | 11.96         | 16.7       | 39%                  | 23.8        | 17.9        | 4.6        | 3.8        | 19.5        | 21.3        |
| TK Group                   | 2283 HK   | Buy    | 372                    | 3.48          | 4.1        | 18%                  | 7.5         | 6.3         | 2.2        | 2.2        | 29.7        | 35.7        |
| Truly                      | 732 HK    | NR     | 468                    | 1.11          | NA         | NA                   | 8.5         | 5.0         | 0.5        | 0.4        | 5.2         | 8.5         |
| SMIC                       | 981 HK    | NR     | 10,501                 | 16.04         | NA         | NA                   | 58.8        | 57.2        | -          | -          | -           | -           |
| YOFC                       | 6869 HK   | NR     | 2,829                  | 16.56         | NA         | NA                   | 15.3        | 13.3        | 1.3        | 1.2        | 8.5         | 8.7         |
| O-NET                      | 877 HK    | NR     | 470                    | 4.42          | NA         | NA                   | 15.7        | 12.7        | 1.4        | 1.3        | 8.4         | 10.2        |
| Cowell                     | 1415 HK   | NR     | 196                    | 1.84          | NA         | NA                   | 9.8         | 6.4         | 0.6        | 0.6        | 8.6         | 9.7         |
| <b>Average</b>             |           |        |                        |               |            |                      | <b>20.1</b> | <b>16.1</b> | <b>2.5</b> | <b>2.2</b> | <b>13.7</b> | <b>15.9</b> |

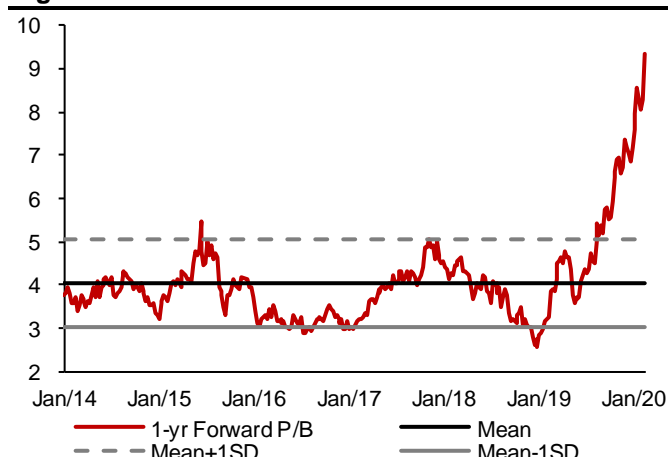
Source: Bloomberg, CMBIS, \* TP under review

Figure 7: 12M forward P/E band



Source: Bloomberg, CMBIS

Figure 8: 12M forward P/B band



Source: Bloomberg, CMBIS

## Financial Summary

### Income statement

| YE 31 Dec (RMB mn)                | FY17A         | FY18A         | FY19E         | FY20E         | FY21E          |
|-----------------------------------|---------------|---------------|---------------|---------------|----------------|
| <b>Revenue</b>                    | <b>22,826</b> | <b>35,850</b> | <b>62,380</b> | <b>92,759</b> | <b>113,375</b> |
| Cost of sales                     | 18,260        | 28,304        | 49,306        | 73,223        | 89,351         |
| <b>Gross profit</b>               | <b>4,566</b>  | <b>7,546</b>  | <b>13,074</b> | <b>19,536</b> | <b>24,023</b>  |
| Selling exp                       | 315           | 388           | 530           | 788           | 964            |
| Admin exp (excl. R&D)             | 576           | 900           | 1,566         | 2,329         | 2,846          |
| R&D exp                           | 1,542         | 2,515         | 4,376         | 6,507         | 7,953          |
| Finance costs                     | 203           | 302           | 332           | 365           | 402            |
| Other operating exp.              | (123)         | 147           | 367           | 816           | 919            |
| <b>Operating profit</b>           | <b>2,052</b>  | <b>3,294</b>  | <b>5,903</b>  | <b>8,731</b>  | <b>10,940</b>  |
| Other non-oper exp.               | (14)          | (12)          | (118)         | (118)         | (118)          |
| <b>Pre-tax profit</b>             | <b>2,039</b>  | <b>3,282</b>  | <b>5,784</b>  | <b>8,613</b>  | <b>10,822</b>  |
| Income tax expense                | 291           | 469           | 973           | 1,448         | 1,820          |
| Minority interests                | 57            | 91            | 91            | 91            | 91             |
| <b>Net profit to shareholders</b> | <b>1,691</b>  | <b>2,723</b>  | <b>4,721</b>  | <b>7,074</b>  | <b>8,911</b>   |

### Cash flow summary

| YE 31 Dec (RMB mn)             | FY17A          | FY18A          | FY19E          | FY20E          | FY21E          |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Net profit</b>              | <b>1,748</b>   | <b>2,813</b>   | <b>4,812</b>   | <b>7,164</b>   | <b>9,002</b>   |
| Depreciation/amortization      | 781            | 1,212          | 982            | 1,452          | 1,924          |
| Change in working capital      | (2,407)        | (1,273)        | (4,374)        | (967)          | (5,322)        |
| Others                         | 48             | 390            | 332            | 365            | 402            |
| <b>Net cash from operating</b> | <b>169</b>     | <b>3,142</b>   | <b>1,752</b>   | <b>8,014</b>   | <b>6,006</b>   |
| Capex                          | 3,527          | 5,156          | 5,500          | 6,000          | 6,500          |
| Other                          | (6,123)        | (10,084)       | (11,000)       | (12,000)       | (13,000)       |
| <b>Net cash from investing</b> | <b>(2,596)</b> | <b>(4,928)</b> | <b>(5,500)</b> | <b>(6,000)</b> | <b>(6,500)</b> |
| Share issuance                 | 16             | 98             | 0              | 0              | 0              |
| Dividend paid                  | 316            | 390            | 296            | 447            | 625            |
| Other                          | 1,543          | 965            | 75             | (260)          | (652)          |
| <b>Net cash from financing</b> | <b>1,875</b>   | <b>1,453</b>   | <b>372</b>     | <b>187</b>     | <b>(27)</b>    |
| <b>Net change in cash</b>      | <b>(552)</b>   | <b>(333)</b>   | <b>(3,376)</b> | <b>2,201</b>   | <b>(521)</b>   |
| Cash at beginning of year      | 4,619          | 3,994          | 3,810          | 433            | 2,634          |
| Exchange difference            | (73)           | 149            | 0              | 0              | 0              |
| <b>Cash at the end of year</b> | <b>3,994</b>   | <b>3,810</b>   | <b>433</b>     | <b>2,634</b>   | <b>2,113</b>   |

### Balance sheet

| YE 31 Dec (RMB mn)                  | FY17A         | FY18A         | FY19E         | FY20E         | FY21E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Current assets</b>               | <b>17,372</b> | <b>23,078</b> | <b>34,048</b> | <b>43,126</b> | <b>52,097</b> |
| Cash & equivalents                  | 4,008         | 3,820         | 443           | 2,645         | 2,123         |
| Account receivables                 | 7,206         | 11,216        | 20,943        | 25,605        | 32,705        |
| Inventories                         | 3,474         | 4,735         | 9,353         | 11,568        | 13,961        |
| Prepayment                          | 124           | 93            | 93            | 93            | 93            |
| Other current assets                | 2,560         | 3,215         | 3,215         | 3,215         | 3,215         |
| <b>Non-current assets</b>           | <b>9,514</b>  | <b>13,363</b> | <b>17,881</b> | <b>22,429</b> | <b>27,005</b> |
| PPE                                 | 6,369         | 9,457         | 13,975        | 18,523        | 23,099        |
| Deferred income tax                 | 73            | 91            | 91            | 91            | 91            |
| Other non-current assets            | 3,072         | 3,815         | 3,815         | 3,815         | 3,815         |
| <b>Total assets</b>                 | <b>26,886</b> | <b>36,441</b> | <b>51,929</b> | <b>65,555</b> | <b>79,103</b> |
| <b>Current liabilities</b>          | <b>11,712</b> | <b>17,179</b> | <b>28,151</b> | <b>35,060</b> | <b>40,231</b> |
| Deferred income                     | 22            | 31            | 31            | 31            | 31            |
| Account payables                    | 6,341         | 10,238        | 20,209        | 26,119        | 30,290        |
| Tax payable                         | 125           | 161           | 161           | 161           | 161           |
| Other current liabilities           | 5,224         | 6,749         | 7,749         | 8,749         | 9,749         |
| <b>Non-current liabilities</b>      | <b>1,249</b>  | <b>2,588</b>  | <b>2,588</b>  | <b>2,588</b>  | <b>2,588</b>  |
| Deferred income                     | 161           | 212           | 212           | 212           | 212           |
| Deferred tax liability              | 80            | 426           | 426           | 426           | 426           |
| Other non-curr. liabilities         | 1008          | 1951          | 1951          | 1951          | 1951          |
| <b>Total liabilities</b>            | <b>12,961</b> | <b>19,767</b> | <b>30,739</b> | <b>37,648</b> | <b>42,819</b> |
| Share capital                       | 3,173         | 4,115         | 4,115         | 4,115         | 4,115         |
| Reserves                            | 9,765         | 11,383        | 15,899        | 22,616        | 30,992        |
| Minority interest                   | 987           | 1,177         | 1,177         | 1,177         | 1,177         |
| <b>Shareholders' equity</b>         | <b>13,925</b> | <b>16,675</b> | <b>21,190</b> | <b>27,907</b> | <b>36,284</b> |
| <b>Total equity and liabilities</b> | <b>26,886</b> | <b>36,441</b> | <b>51,929</b> | <b>65,555</b> | <b>79,103</b> |

### Key ratios

| YE 31 Dec                          | FY17A | FY18A | FY19E | FY20E | FY21E |
|------------------------------------|-------|-------|-------|-------|-------|
| <b>Sales mix (%)</b>               |       |       |       |       |       |
| Computer connectors                | 19    | 10    | 5     | 3     | 3     |
| Automotive interconnect            | 5     | 5     | 4     | 4     | 4     |
| Comm. interconnect                 | 7     | 6     | 6     | 6     | 7     |
| Consumer electronics               | 67    | 75    | 77    | 79    | 76    |
| Other connectors                   | 2     | 4     | 8     | 8     | 10    |
| <b>Growth (%)</b>                  |       |       |       |       |       |
| Revenue                            | 65.9  | 57.1  | 74.0  | 48.7  | 22.2  |
| Gross profit                       | 54.3  | 65.3  | 73.3  | 49.4  | 23.0  |
| Operating profit                   | 57.5  | 60.5  | 79.2  | 47.9  | 25.3  |
| Net profit                         | 46.2  | 61.0  | 73.4  | 49.8  | 26.0  |
| <b>Profit &amp; loss ratio (%)</b> |       |       |       |       |       |
| Gross margin                       | 20.0  | 21.0  | 21.0  | 21.1  | 21.2  |
| Operating margin                   | 9.0   | 9.2   | 9.5   | 9.4   | 9.6   |
| Net profit margin                  | 7.4   | 7.6   | 7.6   | 7.6   | 7.9   |
| <b>Balance sheet ratio</b>         |       |       |       |       |       |
| Net debt/total equity (x)          | 0.1   | 0.4   | 0.3   | 0.3   | 0.3   |
| Current ratio (x)                  | 1.5   | 1.3   | 1.2   | 1.2   | 1.3   |
| Receivable turnover days           | 97    | 94    | 94    | 94    | 94    |
| Inventory turnover days            | 56    | 53    | 53    | 53    | 53    |
| Payable turnover days              | 106   | 107   | 107   | 107   | 107   |
| <b>Profitability (%)</b>           |       |       |       |       |       |
| ROE                                | 12.1  | 16.3  | 22.3  | 25.3  | 24.6  |
| ROA                                | 6.3   | 7.5   | 9.1   | 10.8  | 11.3  |
| <b>Per share data (RMB)</b>        |       |       |       |       |       |
| EPS                                | 0.32  | 0.51  | 0.88  | 1.32  | 1.66  |
| DPS                                | 0.06  | 0.05  | 0.07  | 0.10  | 0.13  |

Source: Company data, CMBIS estimates

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