

Naura Technology (002371 CH)

1H24 profit alert points to solid 2Q results

Naura announced a 1H24 profit alert. 1H revenue is expected to be within the range of RMB11.4-13.1bn, representing 35.4% to 55.9% YoY growth, respectively. Net profit is estimated to be RMB2.6-3.0bn (YoY growth of 42.8% to 64.5%). This implies that 2Q24 revenue (mid-point) could be RMB6.4bn (40.8% YoY and 9.5% QoQ growth), 5% below consensus estimate. 2Q24 net profit (mid-point) is expected to be RMB1.6bn (35.7% YoY and 45.4% QoQ growth), 9% above consensus estimate. 2Q24 mid-point NPM is 25.5% vs. 19.2%/26.5% in 1Q24/2Q23. The company attributed the growth to 1) its broad coverage of semiconductor equipment (etching, deposition, cleanser, etc.), 2) increasing market share, 3) economies of scale gradually showing, and 4) improving operational efficiency and stable decrease in expense ratio. **Maintain BUY with an unchanged TP at RMB405.**

- **1H24 revenue in-line with seasonality:** 1H24 revenue/NP (mid-point) accounted for 40%/50% of our 2024 full-year estimates (Rev./NP: RMB30.9bn/RMB5.5bn), or 41%/51% of Bloomberg consensus estimates (Rev./NP: RMB30.0bn/RMB5.4bn). Revenue seasonality remains consistent, with mid-point 1H24 revenue representing 40% of that of FY24E (RMB30.9bn, per our forecast), similar to 1H23 (38% of FY23 revenue). This historical pattern suggests the potential for strong sequential growth in 3Q-4Q24E, in our view.
- **Looking forward to 2H24, we expect the pace of semi supply chain localization in China to remain steady.** Naura signed new equipment orders exceeding RMB30bn in 2023, with over 70% related to semiconductor manufacturing tools. We expect Naura to deliver robust revenue growth on capex expansion from downstream clients (including memory and foundry) and the semi localization trend. In addition, we believe the company could be one of the beneficiaries amid the recently launched "Big Fund III" (US\$47.5bn) in China.
- **We reiterate our BUY rating for Naura, with an unchanged TP at RMB405,** based on 39x 2024E P/E. Naura is currently our favourite pick under the semi localization theme. Risks: 1) intensified competition from overseas and domestic peers, and 2) escalating geopolitical tensions.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMBmn)	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	39.8	41.5	42.3
Operating profit (RMBmn)	2,868	4,448	6,306	8,944	12,026
YoY growth (%)	131.9	55.1	41.8	41.8	34.5
Net profit (RMBmn)	2,353	3,899	5,527	7,833	10,526
YoY growth (%)	118.4	65.7	41.8	41.7	34.4
EPS(RMB)	4.5	7.4	10.4	14.7	19.7
P/E (x)	70.2	42.6	30.1	21.2	15.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB405.00
Up/Downside 29.3%
Current Price RMB313.27

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Stock Data

Mkt Cap (RMB mn)	166,315.0
Avg 3 mths t/o (RMB mn)	1,609.3
52w High/Low (RMB)	333.80/216.52
Total Issued Shares(mn)	530.9

Source: FactSet

Shareholding Structure

Beijing Sevenstar Huadian Technology Gro	33.6%
Beijing Electronics Holding	9.4%

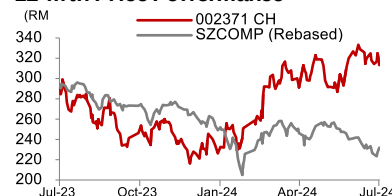
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-4.1%	-0.3%
3-mth	7.7%	14.5%
6-mth	34.7%	46.4%

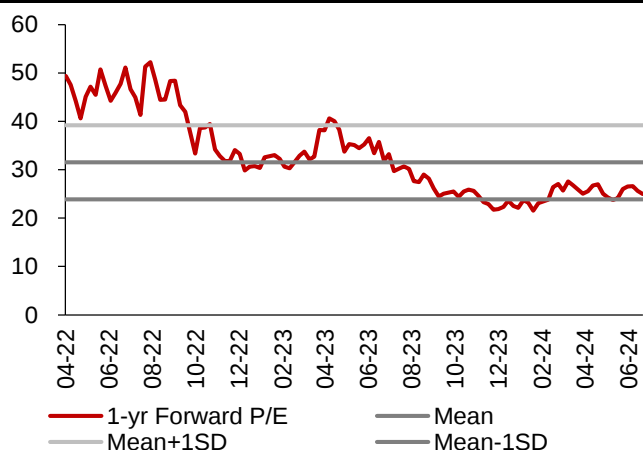
Source: FactSet

12-mth Price Performance



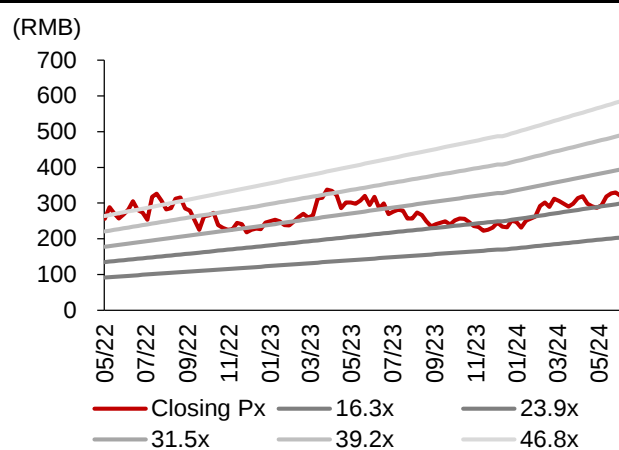
Source: FactSet

Figure 1: 1-yr forward P/E



Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: P/E band



Source: Company data, Bloomberg, CMBIGM estimates

Figure 3: CMBIGM estimates vs. consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	30,856	39,030	48,443	29,951	39,180	48,542	3%	0%	0%
Gross profit	12,281	16,203	20,503	12,875	16,918	21,108	-5%	-4%	-3%
Net profit	5,527	7,833	10,526	5,383	7,364	9,397	3%	6%	12%
EPS (RMB)	10.4	14.7	19.7	10.2	13.8	18.0	2%	6%	10%
Gross margin	39.8%	41.5%	42.3%	43.00%	43.20%	43.50%	-3.2 ppt	-1.7 ppt	-1.2 ppt
Net margin	17.9%	20.1%	21.7%	18.00%	18.80%	19.40%	-0.1 ppt	1.3 ppt	2.3 ppt

Source: Bloomberg consensus, CMBIGM estimates

Figure 4: Peers table

Company	Ticker	Rating	TP (RMB)	Mkt Cap US\$(mn)	Price (LC)	P/E (x)		P/B (x)		ROE (%)		EPS (US\$)	
						FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
ASML	ASML US	NR	NA	439,123	1098.95	53.6	33.7	26.2	21.4	50.6	65.8	20.38	32.40
Applied Materials	AMAT US	NR	NA	211,109	254.97	30.3	26.2	11.0	9.3	38.4	37.6	8.42	9.73
Lam Research	LRCX US	NR	NA	147,379	1127.30	37.9	30.8	18.0	15.7	47.3	51.0	29.75	36.56
KLA	KLAC US	NR	NA	120,146	892.35	38.2	31.0	35.1	27.7	98.6	92.8	23.37	28.74
Axcelis	ACLS US	NR	NA	5,043	155.02	25.4	17.8	-	-	22.1	21.2	6.11	8.73
Teradyne	TER US	NR	NA	24,842	159.13	51.0	32.9	9.4	8.0	20.0	26.9	3.12	4.83
Peers Avg.						39.4	27.9	22.6	18.5	51.4	53.7	17.6	23.2
Peers Median						37.9	30.8	22.1	18.6	47.3	51.0	20.4	28.7
NAURA	002371 CH	BUY	405	22,931	313.27	30.1	21.2	5.5	4.4	18.3	20.8	1.43	2.03
AMEC	688012 CH	NR	NA	11,961	139.66	44.8	33.9	4.4	3.9	10.2	12.1	0.43	0.57
KINGSEMI	688037 CH	NR	NA	1,646	86.41	35.8	25.8	4.4	3.8	12.0	14.8	0.33	0.46
Piotech	688072 CH	NR	NA	4,413	115.02	33.8	24.6	6.1	4.9	15.8	18.3	0.47	0.64
ACMR	688082 CH	NR	NA	5,291	88.01	33.8	25.8	5.1	4.2	15.4	16.9	0.36	0.47
Peers Avg.						35.7	26.3	5.1	4.2	14.3	16.6	0.6	0.8
Peers Median						33.8	25.8	5.1	4.2	15.4	16.9	0.4	0.6
Advantest	6857 JP	NR	NA	33,059	6841.00	76.5	62.0	12.4	10.7	17.3	18.5	0.58	0.68
SMIT	6302 JP	NR	NA	3,271	4219.00	11.4	10.6	0.8	0.7	6.9	7.4	2.33	2.50
Tokyo Electron	8035 JP	NR	NA	113,193	38050.00	51.6	38.0	10.7	9.1	21.5	25.4	4.74	6.21
Nikon	7731 JP	NR	NA	3,787	1708.00	20.8	19.1	0.9	0.9	4.6	4.5	0.52	0.56
Canon	7751 JP	NR	NA	38,362	4560.00	14.9	14.3	1.3	1.2	8.9	9.0	1.90	1.99
Peers Avg.						35.0	28.8	5.2	4.5	11.8	13.0	2.0	2.4
Peers Median						20.8	19.1	1.3	1.2	8.9	9.0	1.9	2.0

Source: Bloomberg consensus, CMBIGM

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)	(18,575)	(22,827)	(27,940)
Gross profit	3,817	6,438	9,075	12,281	16,203	20,503
Operating expenses	(2,580)	(3,571)	(4,627)	(5,974)	(7,259)	(8,477)
Selling expense	(84)	(135)	(167)	(203)	(217)	(221)
SG&A expense	(1,705)	(2,224)	(2,836)	(3,393)	(3,921)	(4,455)
R&D expense	(1,297)	(1,845)	(2,475)	(3,305)	(4,180)	(5,189)
Others	507	633	852	926	1,060	1,389
Operating profit	1,236	2,867	4,448	6,306	8,944	12,026
Other income	18	14	22	24	27	29
Other expense	(2)	(27)	(4)	0	0	0
Pre-tax profit	1,253	2,854	4,466	6,330	8,971	12,056
Income tax	(59)	(313)	(433)	(614)	(870)	(1,169)
After tax profit	1,193	2,541	4,033	5,717	8,102	10,887
Minority interest	116	188	134	189	269	361
Net profit	1,077	2,353	3,899	5,527	7,833	10,526

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	22,323	31,117	38,226	50,792	55,409	77,046
Cash & equivalents	9,068	10,435	12,451	16,481	19,703	27,076
Account receivables	1,899	2,995	3,767	6,039	6,365	9,030
Inventories	8,035	13,041	16,992	22,703	22,950	32,930
Prepayment	658	1,551	1,480	1,733	1,997	2,237
Other current assets	2,663	3,096	3,535	3,836	4,394	5,772
Non-current assets	8,732	11,434	15,399	19,439	23,278	26,709
PP&E	2,423	2,484	3,352	3,758	4,327	4,977
Right-of-use assets	68	147	215	282	328	353
Deferred income tax	473	363	450	572	641	845
Intangibles	2,063	2,003	2,547	3,028	3,363	3,477
Goodwill	17	18	27	27	27	27
Other non-current assets	3,689	6,419	8,808	11,772	14,592	17,030
Total assets	31,054	42,551	53,625	70,231	78,687	103,754
Current liabilities	11,268	15,770	19,083	28,404	29,192	41,869
Short-term borrowings	0	227	23	308	447	605
Account payables	3,499	5,592	6,117	9,150	8,986	13,213
Tax payable	110	130	209	238	267	352
Other current liabilities	2,096	1,841	3,418	4,212	4,343	6,086
Contract liabilities	5,046	7,198	8,317	13,572	14,116	20,250
Accrued expenses	517	782	999	923	1,035	1,364
Non-current liabilities	2,588	6,797	9,717	11,651	11,852	14,233
Long-term borrowings	0	3,740	5,835	6,820	6,467	7,208
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	4,827	5,380	7,021
Total liabilities	13,856	22,567	28,800	40,055	41,044	56,102
Share capital	526	529	530	531	531	531
Retained earnings	2,924	5,159	8,776	13,842	21,041	30,689
Other reserves	13,448	14,058	15,061	15,155	15,155	15,155
Total shareholders equity	16,898	19,746	24,367	29,529	36,728	46,375
Minority interest	301	238	458	647	916	1,277
Total equity and liabilities	31,054	42,551	53,625	70,231	78,687	103,754

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,253	2,854	4,466	6,330	8,971	12,056
Depreciation & amortization	460	552	730	894	1,107	1,296
Tax paid	(59)	(313)	(433)	(614)	(870)	(1,169)
Change in working capital	(3,133)	(4,424)	(3,409)	(4,883)	(1,154)	(8,067)
Others	703	603	1,012	6,407	1,096	7,935
Net cash from operations	(777)	(728)	2,365	8,135	9,151	12,051
Investing						
Capital expenditure	(447)	(1,409)	(1,980)	(4,955)	(5,061)	(4,724)
Acquisition of subsidiaries/ investments	0	(15)	(81)	na	na	na
Net proceeds from disposal of short-term investments	0	0	3	na	na	na
Others	0	1	0	(157)	143	197
Net cash from investing	(447)	(1,423)	(2,058)	(5,112)	(4,917)	(4,527)
Financing						
Dividend paid	(114)	(241)	(388)	(620)	(810)	(1,066)
Net borrowings	(602)	3,453	1,888	1,281	(214)	898
Proceeds from share issues	8,497	157	212	95	0	0
Others	(101)	(24)	(66)	(46)	(47)	(47)
Net cash from financing	7,680	3,345	1,647	709	(1,071)	(214)
Net change in cash						
Cash at the beginning of the year	2,578	9,031	10,261	12,229	16,017	19,239
Exchange difference	(4)	37	14	56	60	63
Others	6,457	1,194	1,954	3,732	3,163	7,311
Cash at the end of the year	9,031	10,261	12,229	16,017	19,239	26,613

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

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