

# China Technology Sector

## Apple FY4Q23 beat on margins, resilient China iPhone sales, weak outlook for iPad/Wearables

Apple reported FY4Q23 (CY3Q23) with revenue of US\$89.5bn (-0.7% YoY) and EPS of US\$1.46 (+13% YoY), which are in line and 5% above consensus, mainly due to a favourable product mix and better leverage, partially offset by negative FX. Looking into FY1Q24E, mgmt. expected flattish revenue YoY due to the quarter being one-week shorter and iPhone 15 supply snags, while iPhone/Mac will increase YoY and iPad/Wearables will decline significantly QoQ due to timing of product launches. Given better-than-feared China iPhone sales in CY3Q23, we remain positive on iPhone's gradual share gains and better mix shift towards higher-end models, and we are cautious on near-term weakness for iPad/Watch/AirPods. For stocks, we maintain BUY on Luxshare/BYDE/FIT Hon Teng for market share gains in Apple supply chain (high-end iPhone/casing/AirPods), and stay HOLD on Sunny Optical/AAC Tech mainly for fair valuation.

- **FY4Q23 beat on margins with better product mix; Better-than-feared China iPhone sales.** By segment, iPhone sales remained resilient with 3% YoY growth, while Mac/iPad/Wearables declined 34%/10%/3% YoY and Service stayed solid with 16% YoY growth. We are positive on stable iPhone sales given macro challenges as guided, and Sep-quarter iPhone sales in China set a record high which is impressive in our view. Mac/iPad continued to face a challenging environment, as well as tough comparison on supply chain disruption last year. Services business accelerated growth with 16% YoY (vs. +6%/8% in CY1Q/2Q), and numbers of transacting accounts/paid accounts have set new records, each with double-digit YoY growth.
- **Mixed outlook: stronger iPhone/Mac but weak iPad/Watch/AirPods.** Mgmt. guided FY1Q24 flattish revenue YoY, largely in-line with consensus given the quarter's shorter length, while GPM will come in at 45-46%, higher than consensus of 43.8%. By segment, Apple expected iPhone to maintain YoY growth, Mac to grow QoQ/YoY and iPad/Wearables to decline YoY significantly due to different timing of product launches. Other highlights from the earnings call: 1) Apple will start to give demos for Vision Pro XR headsets in Apple stores; 2) installed base of active devices reached over 2bn and grew at a nice pace; and 3) physical stores expanded in Korea, China and the UK, while on-line stores were opened in Vietnam and Chile.
- **Stay selective amid macro headwinds and weak iPad/Watch/AirPods; Prefer iPhone/non-smartphone component names.** Given macro challenges and Huawei's share gains in China, we are selective among iPhone supply chain stocks and conservative on iPad/Watch/AirPods names. We prefer component players with iPhone share gains and spec upgrades. Maintain BUY on Luxshare (high-end iPhone), BYDE (Jabil's upside) and FIT Hon Teng (AirPods order wins), and maintain HOLD on Sunny Optical/AAC Tech mainly for fair valuation.

### Valuation Table

Name	Ticker	Rating	Mkt Cap (USD mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY23E FY24E	P/B (x) FY23E FY24E	ROE
Luxshare	002475 CH	BUY	31,381	32.00	47.0	47%	20.6 16.3	2.3 10.9	
BYDE	285 HK	BUY	10,353	35.95	44.2	23%	18.3 14.6	2.5 13.6	
FIT Hon Teng	6088 HK	BUY	997	1.07	2.1	93%	7.1 5.7	0.4 5.2	
Q-Tech	1478 HK	BUY	643	4.25	3.6	-15%	15.2 7.9	0.9 5.9	
Sunny Optical	2382 HK	HOLD	9,644	68.80	64.1	-7%	45.4 25.8	2.9 6.4	
AAC Tech	2018 HK	HOLD	2,377	15.52	14.0	-10%	27.3 15.6	0.7 2.7	

Source: Company data, CMBIGM estimates

**OUTPERFORM  
(Maintain)**

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7. Sunny Optical (2382 HK) - Positive on shipment recovery and upgrade trend; Maintain Hold on fair valuation - 13 Oct 2023 ([link](#))

## Focus Charts

Figure 1: Apple's FY4Q23 (CY3Q23) results review

Apple Inc (AAPL US)	Actual			Consensus	
US\$ bn	FY4Q23	FY4Q22	YoY	FY4Q23E	Diff (%)
Revenue	89.5	90.1	-1%	89.4	0%
EPS (cent US\$)	1.46	1.29	13%	1.39	5%
GPM	45.2%	42.3%	2.9 ppt	44.5%	0.7 ppt
Product	67.2	71.0	-5%	67.8	-1%
iPhone	43.8	42.6	3%	43.7	0%
iPad	6.4	7.2	-10%	6.1	5%
Mac	7.6	11.5	-34%	8.8	-13%
Wearables, Home and Accessories	9.3	9.7	-3%	9.4	-1%
Services	22.3	19.2	16%	21.4	4%

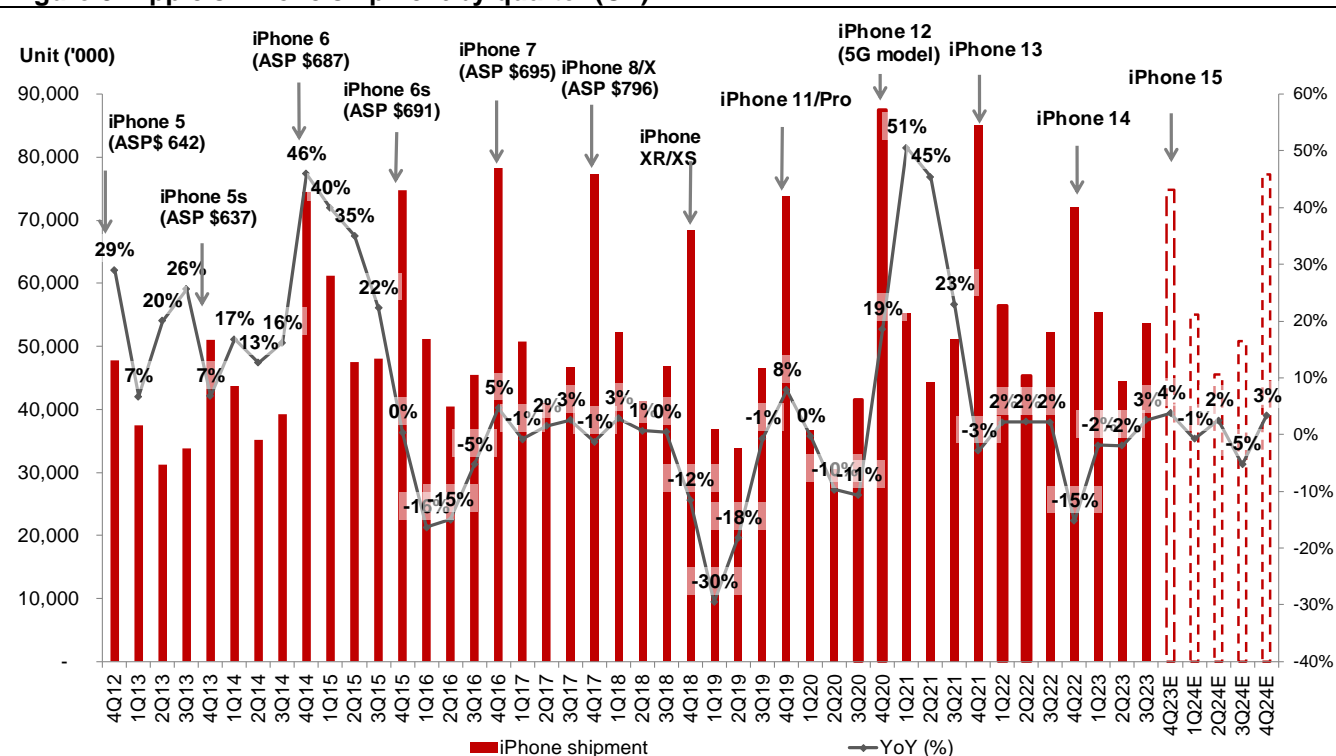
Source: Bloomberg, company data, CMBIGM

Figure 2: Supply chain mapping and sales mix exposure (2023E)

Company	Ticker	Apple	Huawei	Samsung	Other CN brands	Others	Major Products
AAC Tech	2018 HK	45%	5%	25%	20%	5%	Acoustics, haptics, optics, casing
FIT Hon Teng	6088 HK	40%	3%			57%	Connector, wireless charging, accessories
Sunny Optical	2382 HK	2%	5%	15%	63%	15%	Camera modules, handset lens sets, auto lens/modules
BYDE	285 HK	40%	5%	10%	30%	15%	Metal/glass/plastics casing, ODM/OEM, automobile
Tongda	698 HK	20%	5%	10%	35%	25%	Metal/plastic casing, waterproof
Q-Tech	1478 HK	-	5%	-	85%	15%	Cam modules/lenses, fingerprint modules, auto cam modules
TK Group	2283 HK	10%	-	-	-	90%	Plastic molding, plastic precision
Truly	732 HK	-	-	3%	62%	35%	Camera modules, fingerprint, display modules
Cowell	1415 HK	90%	-	5%	-	5%	Camera modules
Luxshare	002475 CN	60%	10%	3%	-	27%	Wireless, iPhone/AirPods/Watch OEM, acoustics/haptics
Goertek	002241 CN	45%	5%	10%	15%	25%	Acoustics, AirPods, Watch, AR/VR, Wearables

Source: Company data, CMBIGM estimates

Figure 3: Apple's iPhone shipment by quarter (CY)



Source: Company data, IDC, CMBIGM

Figure 4: Peers Comparison

Company	Ticker	Rating	Mkt Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
<b>Optics</b>												
Sunny Optical	2382 HK	HOLD	9,644	68.80	64.1	-7%	45.4	25.8	2.9	2.7	6.4	10.6
Q Tech	1478 HK	BUY	643	4.25	3.6	-15%	15.2	7.9	0.9	0.8	5.9	10.3
Cowell	1415 HK	NR	2,028	18.68	NA	NA	30.6	17.6	4.7	3.7	15.2	22.9
Largan	3008 TT	NR	8,684	2100	NA	NA	15.3	15.1	1.7	1.6	11.5	11.2
Genius	3406 TT	NR	1,348	386	NA	NA	15.7	14.1	2.0	1.9	13.3	14.6
Primax	4915 TT	NR	908	63.30	NA	NA	11.1	10.1	1.7	1.5	14.7	15.4
Lite-On	2301 TT	NR	7,998	109.00	NA	NA	16.3	14.2	3.0	2.7	18.4	20.4
O-Film	002456 CH	NR	4,850	10.85	NA	NA	-	-	12.2	11.4	(33.3)	(19.1)
Samsung Elec	009150 KS	NR	7,668	134200	NA	NA	20.1	13.1	1.3	1.2	6.7	9.4
Lg Innotek	011070 KS	NR	4,101	226500	NA	NA	8.9	6.4	1.1	1.0	13.1	16.2
Partron	091700 KS	NR	390	8660	NA	NA	13.9	11.8	1.0	0.9	7.4	8.2
Average							19.3	13.6	3.0	2.7	7.2	10.9
<b>Acoustics/Haptics</b>												
AAC Tech	2018 HK	HOLD	2,377	15.52	14.0	-10%	27.3	15.6	0.7	0.7	2.7	4.6
Goertek	002241 CH	BUY	8,583	18.29	19.2	5%	42.5	23.8	2.0	1.8	4.6	7.8
Luxshare	002475 CH	BUY	31,381	32.00	47.0	47%	20.6	16.3	2.3	2.0	10.9	12.3
Sunway	300136 CH	NR	3,307	24.91	NA	NA	30.1	22.6	3.3	2.9	11.2	13.1
Merry	2439 TT	NR	626	92	NA	NA	15.4	16.9	1.6	1.5	9.7	9.2
Nidec	6594 JP	NR	22,640	5671	NA	NA	40.8	18.0	2.5	2.2	7.0	12.8
Alps Alpine	6770 JP	NR	1,810	1233	NA	NA	10.4	14.1	0.6	0.6	6.2	4.7
Average							25.6	17.6	1.8	1.7	7.5	9.2
<b>Connector</b>												
FIT Hon Teng	6088 HK	BUY	997	1.07	2.1	93%	7.1	5.7	0.4	0.4	5.2	6.3
Luxshare	002475 CH	BUY	31,381	32.00	47.0	47%	20.6	16.3	2.3	2.0	10.9	12.3
TE	TEL US	NR	39,235	125.76	NA	NA	18.7	16.9	3.5	3.2	19.1	19.2
Amphenol	APH US	NR	50,719	84.77	NA	NA	28.6	26.3	6.2	5.5	24.4	23.6
Average							18.8	16.3	3.1	2.8	14.9	15.3
<b>EMS/OEM</b>												
BYDE	285 HK	BUY	10,353	35.95	44.2	23%	18.3	14.6	2.5	2.2	13.6	15.1
Luxshare	002475 CH	BUY	31,381	32.00	47.0	47%	20.6	16.3	2.3	2.0	10.9	12.3
Hon Hai Precision	2317 TT	NR	41,147	95.80	NA	NA	10.9	8.9	0.9	0.8	8.3	9.5
Pegatron	4938 TT	NR	6,332	76.70	NA	NA	13.8	11.8	1.1	1.1	8.3	10.3
Wistron	3231 TT	NR	8,194	91.20	NA	NA	27.0	14.2	2.4	2.2	9.2	16.0
Average							29.0	20.9	6.6	5.0	13.6	19.9
<b>Casing</b>												
BYDE	285 HK	BUY	10,353	35.95	44.2	23%	18.3	14.6	2.5	2.2	13.6	15.1
Tongda	698 HK	BUY	165	0.13	0.2	28%	7.4	4.6	0.2	0.2	2.3	3.5
TK Group	2283 HK	BUY	144	1.35	3.1	129%	4.8	3.6	0.6	0.6	13.3	16.3
Everwin	300115 CH	NR	1,975	11.96	NA	NA	32.9	15.9	2.3	2.1	7.1	13.2
Lens Tech	300433 CH	NR	9,169	13.41	NA	NA	21.4	16.2	1.4	1.4	6.8	8.5
Chaozhou Three	300408 CH	NR	8,188	31.14	NA	NA	34.7	26.0	3.2	2.9	9.5	11.5
Catcher	2474 TT	NR	3,868	183.5	NA	NA	12.6	16.2	0.8	0.8	6.0	4.3
Jabil	JBL US	NR	16,428	128.40	NA	NA	15.1	13.4	6.0	6.6	43.5	41.2
Average							18.4	13.8	2.1	2.1	12.8	14.2

Source: Bloomberg, CMBIGM estimates.

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