

BYDE (285 HK)

FY23 positive profit alert above expectations; Reiterate BUY on strong FY24E outlook

We reiterate BUY rating on BYDE after it preannounced strong FY23 earnings growth of 110-123% YoY, with mid-point 2%/3% above our/consensus estimates. For 4Q23, net profit delivered strong growth of 57% YoY. As stated in our note last week, we believe recent stock correction was mainly due to concerns on slower smartphone recovery in 1Q24, NEV biz price pressure and Jabil's casing earnings uncertainties. We believe market concern is overdone given 1) Huawei's high-end model comeback likely to boost shipments and ASP hikes on titanium upgrade, 2) solid growth for NEV biz on new product ramp-up, parentco orders and new orders wins, and 3) sales synergies from Jabil's acquisition. After recent correction, the stock now trades at 11.2x FY24E P/E, which is attractive in our view. Our SOTP-based TP of HK\$45.86 implies 17.5x FY24E P/E.

- **Positive profit alert for FY23; expected 110-123% YoY earnings growth.** BYDE preannounced FY23E earnings growth of 110-123% YoY, implying 4Q23 NP growth of 57% YoY, slightly ahead of our/consensus estimates. While smartphone and new intelligent products' sales may stay flattish QoQ in 4Q23 due to seasonality, we believe auto biz delivered strong QoQ growth in 4Q23, driven by domestic OEMs' sales promotion and NEV product expansion into high-end ADAS and thermal management products in 2H23E. In addition, we expect solid margin recovery in 4Q23E given a higher UTR and better product mix.
- **2024 outlook: Huawei's high-end models, iPad new launches, Jabil's integration, NEV products.** We are positive on casing ASP hikes backed by titanium casing upgrade for flagship models from major clients such as Samsung and Huawei. In particular, we expect Huawei's comeback to be positive to shipment mix and thus higher component margins in 2024.
- **Concerns on NEV price pressure overdone; positive on product ramp-up, parentco orders and client wins.** Despite potential price cuts given automotive annual price decline, we believe BYDE is well-positioned to benefit from NEV market share gains given its product competitiveness and cost advantage. We remain positive on BYDE's NEV product roadmap, such as high-end ADAS module, thermal management and active suspension products. For clients, we expect strong orders from parentco (~80% of the total) and ramp-up of domestic & overseas client orders in FY24-26E.
- **Remain our sector top pick; accumulate on recent weakness.** Our FY24-25E EPS are 4-10% above consensus, given our more positive view on Huawei's order and Jabil's synergies. Our SOTP-based TP of HK\$45.86 implies 17.5x FY24E P/E. Reiterate BUY. Catalysts include new iPad launches and strong BYD NEV sales. Risks include slow smartphone demand recovery, NEV pricing pressure and Jabil's acquisition pace.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	89,057	107,186	130,841	182,796	212,744
YoY growth (%)	21.8	20.4	22.1	39.7	16.4
Net profit (RMB mn)	2,309.9	1,857.6	3,937.0	5,379.4	7,443.4
YoY growth (%)	(57.5)	(19.6)	111.9	36.6	38.4
EPS (Reported) (RMB)	1.03	0.82	1.75	2.39	3.30
Consensus EPS (RMB)	na	0.00	1.73	2.27	2.94
P/E (x)	32.2	22.1	15.3	11.2	8.1
P/B (x)	3.1	1.6	2.0	1.8	1.5
Yield (%)	0.3	0.9	0.3	0.9	1.2
ROE (%)	10.0	7.5	14.3	16.9	19.7
Net gearing (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$45.86
(Previous TP HK\$45.86)
Up/Downside 57.9%
Current Price HK\$29.05

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Stock Data

Mkt Cap (HK\$ mn)	65,455.6
Avg 3 mths t/o (HK\$ mn)	181.1
52w High/Low (HK\$)	39.95/20.20
Total Issued Shares (mn)	2253.2

Source: FactSet

Shareholding Structure

Golden Link Worldwide Ltd	65.8%
Gold Dragonfly Ltd	5.0%

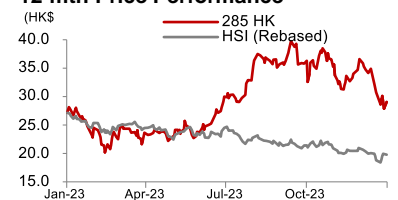
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-20.6%	-15.8%
3-mth	-18.9%	-12.2%
6-mth	-3.2%	20.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Reports:

- 1) Market concerns overdone; Strong NEV and Jabil mobile synergies ahead – 25 Jan 2024 ([link](#))
- 2) NDR Takeaways: Android upside, NEV ramp-up and Jabil synergies – 2 Nov 2023 ([link](#))
- 3) Strong 3Q23 in-line; Android upside and auto accelerated growth – 1 Nov 2023 ([link](#))
- 4) 3Q23 beat and raise; Our sector top pick – 18 Oct 2023 ([link](#))

Earnings forecasts

Figure 1: Revenue breakdown

RMB mn	FY22	1H23	2H23E	FY23E	FY24E	FY25E
Assembly	68,054	36,062	42,860	78,922	86,680	95,150
... YoY	22%	36.4%	3.0%	16%	10%	10%
Component (metal/glass/plastic)	14,155	4,986	9,160	14,146	45,513	51,597
... YoY	-10%	-25.7%	23.0%	0%	222%	13%
Metal	7,304	3,104	3,104	6,208	5,412	5,502
Plastic	3,221	1,132	1,672	2,803	2,887	3,175
Glass/ceramic	5,130	2,472	3,916	6,388	5,847	7,017
Jabil component	-	-	-	-	29,820	34,233
... YoY	-	-	-	-	-	15%
New intelligent	15,207	8,999	11,192	20,191	24,229	29,074
... YoY	22%	30.1%	35.0%	33%	20%	20%
E-cigarette	1,540	450	1,612	2,062	2,681	3,217
... YoY	54%	50.0%	30.0%	34%	30%	20%
Household energy storage	1,500	555	2,220	2,775	3,885	5,439
... YoY	-	-	-	85%	40%	40%
Auto intelligent	9,263	6,133	11,449	17,582	26,374	36,923
... YoY	146%	89%	90%	90%	50%	40%
Total	107,186	56,180	74,661	130,841	182,796	212,744
... YoY	20%	28.6%	18%	22%	40%	16%

Source: Company data, CMBIGM estimates

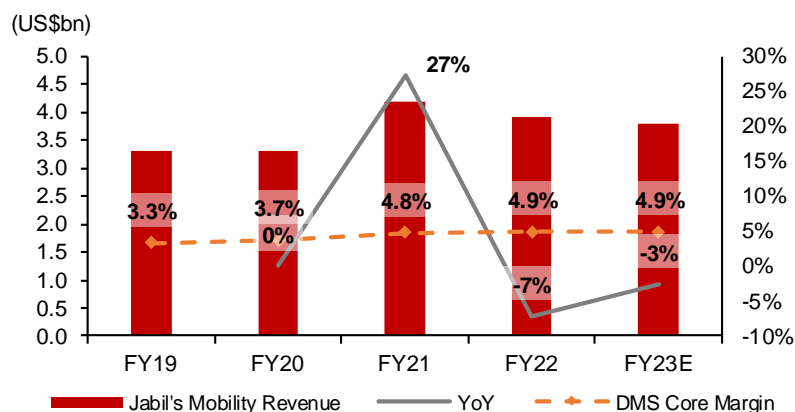
Figure 2: P&L forecast

RMB mn	FY22	1H23	2H23E	FY23E	FY24E	FY25E
Revenue	107,186	56,180	74,661	130,841	182,796	212,744
... YoY	20.4%	28.6%	17.6%	22.1%	39.7%	16.4%
Cost of sales	(100,836)	(51,771)	(68,582)	(120,354)	(166,076)	(191,853)
Gross profit	6,350	4,409	6,079	10,488	16,720	20,891
GPM (%)	5.9%	7.8%	8.1%	8.0%	9.1%	9.8%
... YoY	5.3%	89.4%	51.1%	65.2%	59.4%	24.9%
SG&A	(1,770)	(921)	(1,045)	(1,966)	(3,199)	(3,723)
... % of rev	2%	2%	1%	2%	2%	2%
R&D	(3,969)	(2,459)	(2,912)	(5,371)	(7,860)	(9,148)
... % of rev	4%	4%	4%	4%	4%	4%
Operating profit	611	1,029	2,122	3,151	5,661	8,020
OPM (%)	1%	2%	3%	2%	3%	4%
... YoY	-57%	2326%	273%	416%	80%	42%
Net profit	1,858	1,516	2,421	3,937	5,379	7,443
NPM (%)	1.7%	2.7%	3.2%	3.0%	2.9%	3.5%
... YoY	-20%	139%	98%	112%	37%	38%

Source: Company data, CMBIGM estimates

Overview of Jabil's Mobility segment

Figure 3: Jabil's Mobility segment revenue in FY19-23E



Source: Jabil's announcement, Bloomberg

Note: DMS is Jabil's Diversified Manufacturing Services business

Figure 4: Overview of Jabil's mobility business location in China (Wuxi, Chengdu)

Location	Main business	Overview	Applications	Service offerings	Manufacturing area
Wuxi	EMS	* Offers a full suite of supply chain solutions from design services to seamless customs clearance and after-market services (including non-Jabil made products).	* Hardware automation & manual job digitization * Software automation * Digital highway	* PCB assembly * Box build * Configure-to-order * Automated manufacturing systems	Factory areas: 156,485 sqm Floor space: 84,263 sqm
	JGP	* Established in Dec 2015. * 1,800+ sets of most advanced CNC machines * One of the most reliable suppliers of a famous mobile phone brand in the world.	* Mobile phone related parts	* Products include a series of small metal parts, housing.	693,235 sq.ft.
	Metal	* Provides world-class engineering and manufacturing services to customers in China and overseas.	* Consumer lifestyle * Mobility		1,765,281 sq.ft.
	Plastics	* A world leader in consumer handheld electronics	* Consumer electronics * Mobility	* Esthetic, precise and structural mechanical plastic and metal components * Innovative decorating technologies and optimized mechanical solutions	120,420 sq.ft.
	Stamping	* One of the most reliable suppliers of a famous mobile phone brand in the world	* Electronics	* Production of mobile phone related parts, digital camera related parts, fine punching dies, precision cavity dies and mold standard parts	356,569 sq.ft.
	Tooling	* Diversified mold manufacturing capabilities * Delivers comprehensive design, manufacturing, supply chain and product management services for customers in a broad range of industries.	* Consumer electronics * Healthcare * Packaging * Automotive product	* From standard mold to high precision mold * Implement self-developed Tool Smart Manufacturing System to establish unique Smart Factory in Tooling industry	12,100 sq.ft.
Chengdu	Capacity expansion	* As one of Jabil's largest sites in China, JGP Chengdu offers capacity for future expansion and development.	* Consumer * Mobile	* Layout conducive for strong security system control * Offers 24-hour customer support * The only government-certified site for Worldwide Tech Services (CNC and Anodizing) * Offers capacity for future expansion and development	7,170,000 sq.ft.

Source: Company website

Valuation

Maintain BUY with TP of HK\$45.86

We maintain BUY and derive our TP based on SOTP valuation to reflect BYDE's business diversification with different growth profiles and visibility.

Our TP of HK\$45.86 implies a weighted-average target P/E multiple of 17.5x FY24E PE. We assign 15x P/E to its assembly EMS business and 15x P/E for component business, in line with TW/HK-listed peers, given Android business margin recovery and Apple business expansion. We assign 20x for new intelligent and NEV segments to reflect its growth potential and higher earnings visibility.

Figure 5: BYDE – SOTP valuation

Business segment	% of FY24E Profit	FY24E EPS (RMB)	Target P/E
Assembly	13%	0.31	15x
Components	14%	0.34	15x
Jabil Components	23%	0.55	15x
Masks	0%	0.00	8x
New Intelligent	23%	0.54	20x
Auto intelligent	27%	0.64	20x
Others	0%		10x
Total (RMB) /Implied P/E		2.39	17.5x
TP (HK\$)			45.86

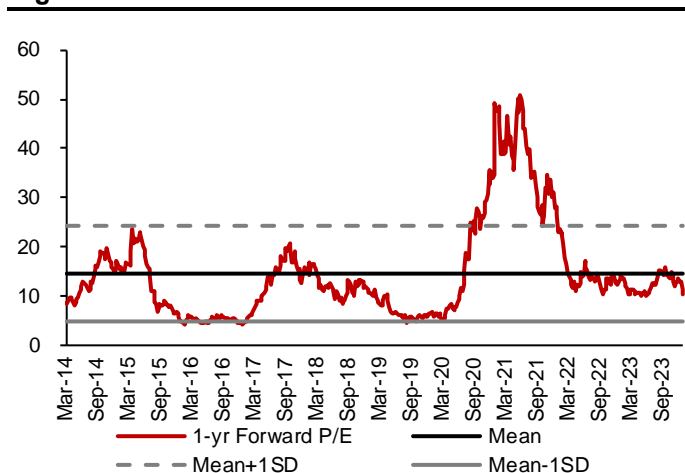
Sources: Company data, CMBIGM estimates

Figure 6: Peers' valuation

Company	Ticker	Rating	Market Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY23E	P/E (x) FY24E	P/B (x) FY23E	P/B (x) FY24E	ROE (%) FY23E	ROE (%) FY24E
BYDE	285 HK	BUY	8,377	29.05	45.9	58%	14.9	10.9	2.0	1.7	13.4	15.7
Tongda	698 HK	BUY	121	0.10	0.17	75%	5.4	3.3	0.1	0.1	2.3	3.5
AAC Tech	2018 HK	HOLD	3,006	19.60	14.0	-28%	34.5	19.8	0.9	0.9	2.7	4.6
TK Group	2283 HK	BUY	148	1.39	3.1	122%	5.0	3.7	0.7	0.6	13.3	16.3
Ju Teng	3336 HK	NR	189	1.23	NA	NA	-	-	-	-	-	-
Everwin	300115 CH	NR	1,544	9.21	NA	NA	53.5	16.8	1.9	1.7	2.7	9.6
Lens Tech	300433 CH	NR	7,994	11.52	NA	NA	18.6	14.2	1.2	1.2	6.8	8.4
Foxconn	2354 TT	NR	2,295	50.70	NA	NA	11.7	9.4	0.5	0.4	5.8	7.0
Catcher	2474 TT	NR	4,279	196.50	NA	NA	11.8	16.8	0.8	0.8	6.8	4.6
Average							19.4	11.8	1.0	0.9	6.7	8.7

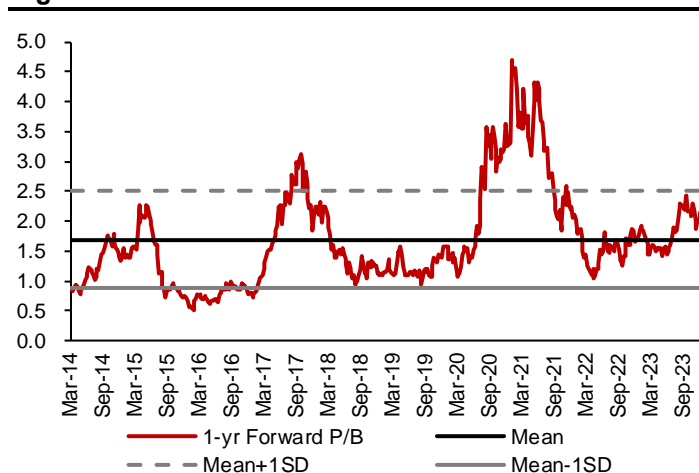
Source: Bloomberg, CMBIGM estimates

Figure 7: BYDE: 12M forward P/E band



Source: Bloomberg, CMBIGM estimates

Figure 8: BYDE: 12M forward P/B band



Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	73,121	89,057	107,186	130,841	182,796	212,744
Cost of goods sold	(63,492)	(83,028)	(100,836)	(120,354)	(166,076)	(191,853)
Gross profit	9,629	6,029	6,350	10,488	16,720	20,891
Selling expense	(237)	(275)	(535)	(664)	(1,188)	(1,383)
Admin expense	(673)	(1,041)	(1,235)	(1,303)	(2,011)	(2,340)
R&D expense	(2,913)	(3,308)	(3,969)	(5,371)	(7,860)	(9,148)
Operating profit	5,806	1,405	611	3,151	5,661	8,020
Other income/expense	487	1,104	1,386	1,272	1,272	1,272
Pre-tax profit	6,221	2,465	1,939	4,331	6,148	8,507
Income tax	(779)	(155)	(81)	(394)	(768)	(1,063)
Minority interest	0	0	0	0	0	0
Net profit	5,441	2,310	1,858	3,937	5,379	7,443
Adjusted net profit	5,441	2,310	1,858	3,937	5,379	7,443

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	26,069	27,630	40,488	37,963	55,666	51,082
Cash & equivalents	3,466	2,825	6,244	1,772	324	2,458
Account receivables	14,391	9,240	10,471	13,536	23,023	19,526
Inventories	6,891	10,567	17,046	15,927	25,592	22,372
ST bank deposits	0	0	0	0	0	0
Other current assets	1,320	4,998	6,727	6,727	6,727	6,727
Non-current assets	10,825	12,314	15,006	17,283	33,108	37,058
PP&E	9,693	11,182	12,941	15,446	19,249	23,594
Deferred income tax	0	201	481	481	481	481
Other non-current assets	1,132	931	1,583	1,355	13,378	12,983
Total assets	37,976	41,175	56,994	56,974	92,084	91,846
Current liabilities	14,840	16,220	30,143	26,256	56,525	49,588
Short-term borrowings	0	0	0	0	0	0
Account payables	8,146	11,724	22,002	18,116	32,985	26,047
Tax payable	57	184	363	363	363	363
Other current liabilities	6,636	4,312	7,777	7,777	23,177	23,177
Non-current liabilities	864	928	1,216	1,216	1,216	1,216
Deferred income	147	150	231	231	231	231
Other non-current liabilities	313	404	395	395	395	395
Total liabilities	15,704	17,148	31,359	27,473	57,742	50,804
Share capital	4,052	4,052	4,052	4,052	4,052	4,052
Other reserves	18,220	19,975	21,583	25,449	30,290	36,990
Total shareholders equity	22,272	24,027	25,635	29,501	34,343	41,042
Minority interest	0	0	0	0	0	0
Total equity and liabilities	37,976	41,175	56,994	56,974	92,084	91,846

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	6,221	2,465	1,939	4,331	6,148	8,507
Depreciation & amortization	1,760	1,717	1,987	2,317	2,778	3,314
Change in working capital	(4,745)	(2,228)	2,568	(5,832)	(4,282)	(220)
Others	(27)	(187)	(124)	(301)	17	(278)
Net cash from operations	3,209	1,768	6,370	514	4,660	11,323
Investing						
Capital expenditure	(2,795)	(3,206)	(3,859)	(4,710)	(6,581)	(7,659)
Others	(186)	0	0	0	(13,605)	0
Net cash from investing	(2,981)	(3,206)	(3,859)	(4,710)	(20,185)	(7,659)
Financing						
Dividend paid	(160)	(232)	(372)	(197)	(538)	(744)
Others	1,730	(43)	(59)	(93)	14,614	(786)
Net cash from financing	1,570	(275)	(430)	(289)	14,076	(1,530)
Net change in cash						
Cash at the beginning of the year	1,651	3,466	2,825	6,258	1,772	324
Exchange difference	16	1,072	1,352	0	0	0
Cash at the end of the year	3,466	2,825	6,258	1,772	324	2,458
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	37.9%	21.8%	20.4%	22.1%	39.7%	16.4%
Gross profit	143.3%	(37.4%)	5.3%	65.2%	59.4%	24.9%
Operating profit	484.3%	(75.8%)	(56.5%)	415.8%	79.7%	41.7%
Net profit	240.6%	(57.5%)	(19.6%)	111.9%	36.6%	38.4%
Adj. net profit	240.6%	(57.5%)	(19.6%)	111.9%	36.6%	38.4%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	13.2%	6.8%	5.9%	8.0%	9.1%	9.8%
Operating margin	7.9%	1.6%	0.6%	2.4%	3.1%	3.8%
Adj. net profit margin	7.4%	2.6%	1.7%	3.0%	2.9%	3.5%
Return on equity (ROE)	27.7%	10.0%	7.5%	14.3%	16.9%	19.7%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Net debt to equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
Current ratio (x)	1.8	1.7	1.3	1.4	1.0	1.0
Receivable turnover days	59.8	48.4	33.6	33.5	36.5	36.5
Inventory turnover days	35.5	38.4	50.0	50.0	45.6	45.6
Payable turnover days	44.5	43.7	61.0	60.8	56.2	56.2
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	9.1	32.2	22.1	15.3	11.2	8.1
P/B	2.2	3.1	1.6	2.0	1.8	1.5
Div yield (%)	1.1	0.3	0.9	0.3	0.9	1.2
EV	22,272.3	24,027.1	25,635.1	29,501.2	34,342.7	41,041.8
EV/Sales	0.3	0.3	0.2	0.2	0.2	0.2

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

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NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
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UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

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