

FIT Hon Teng (6088 HK)

3Q24 first take: Earnings in-line with solid margin recovery; Focus on GB200 products in 4Q24E

FIT Hon Teng posted 3Q24 revenue/earnings growth of 1%/24% YoY, largely in-line with guidance and with 9M24 tracking 69%/55% of our FY24E estimates. We are encouraged by continued NPM recovery to 5.8% in 3Q24 (vs 1.1%/2.0% in 1Q/ 2Q24) backed by higher-margin AI server products, better expense control and improving operating efficiency. We maintain our positive view on GB200 server rollout and mobility M&A progress into 4Q24/2025E. Mgmt. will host an analyst call at 9:00am HKT on 13 Nov ([link](#)), and we will look for details on 1) GB200 AI server product updates and design wins, 2) 4Q24/2025 segment guidance updates, 3) Auto Kabel M&A progress, 4) AirPods project updates in Vietnam/ India plants.

- **3Q24 results in-line, with solid earnings growth.** FIT Hon Teng posted 3Q24 revenue/net profit growth of 1%/24% YoY, largely in-line with prior guidance, which is backed by a better product mix with AI server product rollout, improving cost control and operating efficiency. For 9M24, revenue/net profit grew 10%/119% YoY.
- **4Q24E outlook: GB200 AI server products to kick off; further upside in operating efficiency.** For 4Q24E, we expect FIT's GB200 AI server products (e.g. connectors/cables, power busbar) to kick off with small volume shipments in 4Q and mass production to start in 1Q25E. We also expect more product qualifications for GB200 servers will be secured in 4Q24/1Q25E, driving revenue upside from connectivity/cooling/power-related products. We also believe opex ratio will reach 15-16% in FY24E, which will boost OPM to 5.5% in FY24E (vs. 4.9% in FY23). Overall, we expect FIT's revenue/net profit to rebound 12%/42% YoY in FY24E.
- **Expect more updates on 4Q24/2025 guidance and AI server/AirPods/mobility business; Reiterate BUY.** Overall, we maintain a positive view on FIT's FY24/25E business outlook. During analyst call at 9:00am HKT today, we will look for more colours on 1) GB200 AI server product updates and design wins, 2) 4Q24/2025 segment guidance updates, 3) Auto Kabel M&A progress, 4) AirPods project updates in Vietnam/India. Maintain BUY with a target price of HK\$4.25.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	4,531	4,196	4,677	6,117	7,347
YoY growth (%)	0.9	(7.4)	11.5	30.8	20.1
Net profit (US\$ mn)	170.1	129.6	183.5	298.7	384.9
YoY growth (%)	24.5	(23.8)	41.6	62.8	28.9
EPS (Reported) (US\$ cents)	2.42	1.82	2.58	4.20	5.42
Consensus EPS (US\$)	N/A	N/A	2.60	3.94	4.76
P/E (x)	13.7	18.2	12.9	7.9	6.1
P/B (x)	0.9	0.9	0.9	0.8	0.7
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	7.2	5.4	7.3	10.8	12.4
Net gearing (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$4.25**
 Up/Downside **64.8%**
 Current Price **HK\$2.58**

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Stock Data

Mkt Cap (HK\$ mn)	18,748.9
Avg 3 mths t/o (HK\$ mn)	95.2
52w High/Low (HK\$)	3.73/0.90
Total Issued Shares (mn)	7267.0

Source: FactSet

Shareholding Structure

Foxconn Far East Ltd	71.1%
Lu Sung-Ching	5.5%

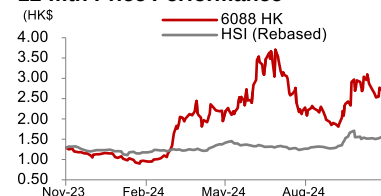
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-12.5%	-6.4%
3-mth	13.2%	-2.4%
6-mth	32.3%	26.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Reports:

1. FIT Hon Teng (6088 HK)-Beneficiary of GB200 server ramp in 4Q24E; Assessing the AI server opportunity-23 Oct 2024 ([link](#))
2. FIT Hon Teng (6088 HK)-2Q24 in-line; Upbeat guidance on power busbar and liquid cooling order wins-14 Aug 2024 ([link](#))
3. FIT Hon Teng (6088 HK)-Positive on acquisition of Auto-kabel Group-12th Jul 2024 ([link](#))
4. FIT Hon Teng (6088 HK)-Share pressure overdone; Raise estimates for stronger AirPods/AI server upside-9th Jul 2024 ([link](#))

3Q24 results review

Figure 1: 3Q24 review

US\$ mn	1Q24	2Q24	3Q24	YoY	9M24	YoY	CMBIGM		Consensus	
							FY24E	% Track	FY24E	% Track
Revenue	965	1,102	1,174	0.8%	3,241	9.9%	4,677	69.3%	4,642	69.8%
Gross profit	196	225					965		937	
Operating profit	24	45					328		313	
Net profit	10	22	68	23.9%	101	118.8%	183	55.0%	182	55.3%
EPS (USD cents)	0.14	0.32					2.58		2.60	
Gross margin	20.3%	20.4%					20.6%		20.2%	
Operating margin	2.5%	4.1%					7.0%		6.7%	
Net margin	1.1%	2.0%	5.8%	1.1ppt	3.1%		3.9%		3.9%	

Source: Company data, Bloomberg, CMBIGM estimates

Earnings forecasts

Figure 2: P&L forecast

US\$ mn	FY22	FY23	1H24	2H24E	FY24E	FY25E	FY26E
Revenue	4,531	4,196	2,067	2,610	4,677	6,117	7,347
...YoY	0.9%	-7.4%	15.8%	8.2%	11.5%	30.8%	20.1%
Cost of sales	-3,763	-3,388	-1,646	-2,066	-3,712	-4,848	-5,800
Gross profit	768	807	421	544	965	1,268	1,546
GPM (%)	17%	19%	20%	21%	21%	21%	21%
...YoY	14.1%	5.1%	48.8%	3.9%	19.6%	31.4%	21.9%
SG&A	-223	-295	-180	-166	-346	-422	-500
...% of rev	-4.9%	-7.0%	-8.7%	-6.3%	-7.4%	-6.9%	-6.8%
R&D	-296	-308	-172	-191	-362	-447	-536
...% of rev	-6.5%	-7.3%	-8.3%	-7.3%	-7.8%	-7.3%	-7.3%
Operating profit	307	263	93	235	328	473	584
OPM (%)	6.8%	6.3%	4.5%	9.0%	7.0%	7.7%	7.9%
...YoY	74.0%	-14.4%	97.5%	8.8%	24.8%	44.2%	23.4%
Net profit	169	129	33	150	183	298	384
NPM (%)	3.7%	3.1%	1.6%	5.8%	3.9%	4.9%	5.2%
...YoY	23.2%	-23.9%	263.3%	9.0%	41.8%	62.8%	28.9%

Source: Company data, CMBIGM estimates

Assessing FIT's AI server opportunity:

Figure 3: Scenario analysis of FIT NVDA AI server revenue (2025)

FIT NVDA AI server revenue (2025)	Bull	Base	Bear
NVDA AI server units			
GB200/GB300 rack shipment (NVL72-eq.)	50	40	30
NVL36/72 mix	6:1	6:1	6:1
... NVL72 racks ('000)	10	10	10
... NVL36 racks ('000)	80	60	40
# of Compute Trays ('000)	900	720	540
HGX/MGX AI server shipment (H100/H200/B200/B300A/B300)			
# of GPUs (H100/H200/B200/B300A/B300) ('000)	2,800	2,800	2,800
# of AI Servers (H100/H200/B200/B300A/B300) ('000)	350	350	350
GB200/GB300 AI Server revenue			
Compute tray: Connectors/cables (e.g. MCIO, MXIO, memory socket, PCIe)			
FIT content value per compute tray (US\$)	1,000	800	600
FIT share allocation	20%	20%	20%
Total revenue (US\$ '000)	180,000	115,200	64,800
Compute tray: components (e.g. power, thermal)			
FIT content value per compute tray (US\$)	300	300	300
FIT share allocation	5%	5%	5%
Total revenue (US\$ '000)	13,500	10,800	8,100
NVLink copper cables/connector			
... Content value per NVL72 rack (US\$)	80,000	70,000	60,000
... Content value per NVL36 rack (US\$)	56,000	49,000	42,000
TAM - Backplane cables/connectors (US\$ '000)	5,280,000	3,640,000	2,280,000
FIT share allocation	13%	8%	5%
Total revenue (US\$ '000)	686,400	291,200	114,000
Liquid Cooling: Components (e.g. cold plate, UQD, manifold)			
FIT content value per rack (US\$)	300	300	300
FIT share allocation	5%	5%	5%
Total revenue (US\$ '000)	750	600	450
GPU socket (GB300)			
GB300 shipment (2xGPU) ('000)	220	220	220
ASP (US\$)	30	30	30
TAM - GPU sockets (US\$ '000)	6,600	6,600	6,600
FIT share allocation	80%	70%	60%
Total revenue (US\$ '000)	5,280	4,620	3,960
FIT GB200/GB300 AI server revenue (US\$ '000)	885,930	422,420	191,310
HGX/MGX AI server (H100/H200/B200/B300A/B300) revenue			
Server connectors (e.g. MCIO, CPU/memory socket, PCIe)			
FIT's content value per server (US\$)	1,000	800	600
FIT's share allocation	20%	20%	20%
Total revenue (US\$ '000)	70,000	56,000	42,000
GPU sockets			
B300A/B300 shipments ('000)	418	418	418
ASP (US\$)	20	20	20
TAM - GPU sockets (US\$ '000)	8,360	8,360	8,360
FIT share allocation	80%	70%	60%
Total revenue (US\$ '000)	6,688	5,852	5,016
FIT HGX/MGX AI server revenue (US\$ '000)	76,688	61,852	47,016
Total NVDA AI server revenue (US\$ '000)	962,618	484,272	238,326

Source: CMBIGM estimates

Valuation

Maintain BUY with TP of HK\$4.25

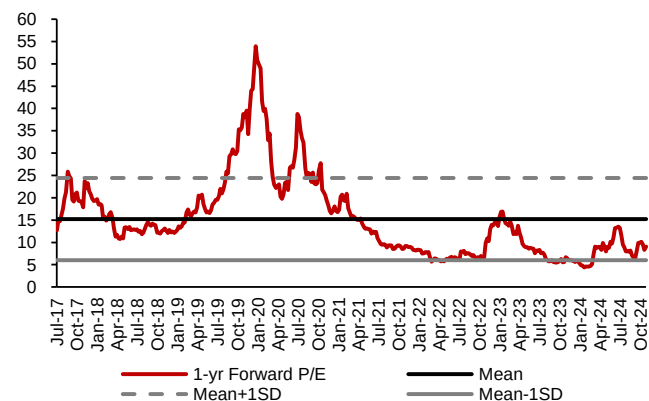
Our TP of HK\$ 4.25 is based on 13x FY25E P/E, given accelerated growth on “3+3 Strategy” and profitability recovery. Trading at 12.9x/7.9x FY24/25E P/E, we think the risk-reward is attractive. Upcoming catalysts include GB200 server product mass production, auto business M&A progress, AirPods plants in India and improving margins.

Figure 5: Peers' valuation

Company	Ticker	Rating	Market Cap (US\$m)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY24E	P/E (x) FY25E	P/B (x) FY24E	P/B (x) FY25E	ROE (%) FY24E	ROE (%) FY25E
Global Connectors												
TE	TEL US	NR	47,117	155.03	NA	NA	20.5	19.2	3.8	3.7	19.1	18.9
Amphenol	APH US	NR	88,504	73.41	NA	NA	39.8	33.8	9.2	7.8	24.9	25.2
Fabrinet	FN US	NR	9,826	270.93	NA	NA	31.1	27.5	5.7	4.8	18.2	19.0
Aviat	6807 JP	NR	1,297	2843.00	NA	NA	18.7	15.2	1.4	1.4	7.5	9.6
Hirose	6806 JP	NR	4,349	18770.00	NA	NA	24.4	20.4	1.8	1.7	7.4	8.3
Luxshare	002475 CH	Buy	41,473	41.54	55.09	33%	22.1	18.1	3.5	3.0	16.0	16.4
Foxconn	2354 TT	NR	4,077	93.50	NA	NA	31.9	22.8	0.8	0.8	3.9	5.3
Hon Hai	2317 TT	NR	91,454	214.00	NA	NA	18.7	14.0	1.8	1.6	9.7	11.7
Average							25.9	21.0	3.5	3.0	13.3	14.4
China technology												
FIT Hon Teng	6088 HK	Buy	2,418	2.58	4.25	65%	12.9	7.9	0.9	0.8	7.3	10.8
AAC Tech	2018 HK	Buy	4,730	30.70	37.8	23%	19.5	15.6	1.4	1.3	7.0	8.2
Sunny Optical	2382 HK	Buy	7,938	56.40	72.52	29%	22.5	18.9	2.3	2.1	10.1	11.2
Tongda	698 HK	Buy	109	0.09	0.12	40%	29.0	4.4	0.1	0.1	0.4	2.7
BYDE	285 HK	Buy	8,487	29.30	44.41	52%	13.3	9.8	3.2	2.6	24.2	26.8
Q tech	1478 HK	Buy	775	5.09	6.43	26%	15.2	10.1	1.1	1.0	6.9	9.6
YOFC	6869 HK	NR	2,180	11.48	NA	NA	10.9	8.3	0.7	0.6	7.3	8.9
Cowell	1415 HK	NR	2,878	26.05	NA	NA	29.6	17.3	5.7	4.3	21.0	26.9
Average							17.6	10.7	1.8	1.5	11.0	13.6

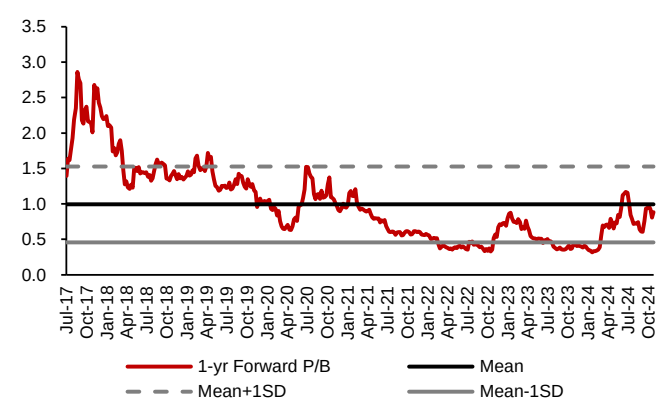
Source: Bloomberg, CMBIGM.

Figure 6: 12M forward P/E band



Source: Company data, Bloomberg, CMBIGM

Figure 7: 12M forward P/B band



Source: Company data, Bloomberg, CMBIGM

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Revenue	4,490	4,531	4,196	4,677	6,117	7,347
Cost of goods sold	(3,817)	(3,763)	(3,388)	(3,712)	(4,848)	(5,800)
Gross profit	673	768	807	965	1,268	1,546
Selling expense	(105)	(93)	(105)	(131)	(153)	(184)
Admin expense	(161)	(130)	(191)	(215)	(269)	(316)
R&D expense	(301)	(296)	(308)	(362)	(447)	(536)
Others	70	58	61	71	73	73
Operating profit	177	307	263	328	473	584
Share of (losses)/profits of associates/JV	(8)	(46)	(50)	(45)	(45)	(45)
Interest expense	(2)	(14)	(33)	(33)	(30)	(26)
Pre-tax profit	167	248	179	250	398	513
Income tax	(31)	(78)	(50)	(66)	(100)	(128)
Minority interest	(1)	1	1	1	1	1
Net profit	137	170	130	184	299	385

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Current assets	3,034	2,764	3,112	2,853	3,843	4,298
Cash & equivalents	769	914	1,316	877	1,156	1,364
Account receivables	1,033	720	807	895	1,331	1,343
Inventories	982	967	802	894	1,169	1,404
ST bank deposits	98	66	4	4	4	4
Non-current assets	1,973	1,783	1,982	2,498	2,426	2,317
PP&E	823	753	900	1,416	1,344	1,235
Deferred income tax	133	131	126	126	126	126
Investment in JVs & assos	172	123	73	73	73	73
Intangibles	634	601	700	700	700	700
Other non-current assets	211	175	182	182	182	182
Total assets	5,007	4,547	5,094	5,351	6,269	6,615
Current liabilities	1,937	1,539	2,563	2,637	3,257	3,217
Short-term borrowings	690	453	1,383	1,383	1,383	1,383
Account payables	1,138	971	1,095	1,168	1,788	1,748
Tax payable	94	98	70	70	70	70
Other current liabilities	15	18	17	17	17	17
Non-current liabilities	674	661	93	93	93	93
Long-term borrowings	576	575	0	0	0	0
Obligations under finance leases	46	43	41	41	41	41
Other non-current liabilities	52	43	52	52	52	52
Total liabilities	2,611	2,200	2,656	2,730	3,349	3,310
Share capital	139	142	142	142	142	142
Other reserves	2,348	2,295	2,384	2,568	2,867	3,251
Total shareholders equity	2,396	2,347	2,437	2,621	2,920	3,305
Minority interest	1	2	3	3	3	3
Total equity and liabilities	5,007	4,547	5,094	5,351	6,269	6,615

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	167	248	179	250	398	513
Depreciation & amortization	251	232	220	434	472	509
Tax paid	(91)	(79)	(75)	(66)	(100)	(128)
Change in working capital	(257)	93	146	(107)	(92)	(286)
Others	15	63	103	0	0	0
Net cash from operations	85	556	574	511	679	608
Investing						
Capital expenditure	(216)	(113)	(243)	(950)	(400)	(400)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	(4)	47	(167)	0	0	0
Net cash from investing	(220)	(66)	(410)	(950)	(400)	(400)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	0	0	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(1)	(2)	(1)	0	0	0
Others	121	(268)	250	0	0	0
Net cash from financing	120	(270)	249	0	0	0
Net change in cash						
Cash at the beginning of the year	766	769	914	1,316	877	1,156
Exchange difference	19	(75)	(10)	0	0	0
Cash at the end of the year	769	914	1,316	877	1,156	1,364
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	4.1%	0.9%	(7.4%)	11.5%	30.8%	20.1%
Gross profit	16.1%	14.1%	5.1%	19.6%	31.4%	21.9%
Operating profit	41.2%	74.0%	(14.4%)	24.8%	44.2%	23.4%
Net profit	219.3%	24.5%	(23.8%)	41.6%	62.8%	28.9%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	15.0%	16.9%	19.2%	20.6%	20.7%	21.0%
Operating margin	3.9%	6.8%	6.3%	7.0%	7.7%	7.9%
Return on equity (ROE)	6.0%	7.2%	5.4%	7.3%	10.8%	12.4%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	na	na	0.0	0.0	0.0	0.0
Current ratio (x)	1.6	1.8	1.2	1.1	1.2	1.3
Receivable turnover days	84.0	58.0	70.2	69.9	79.4	66.7
Inventory turnover days	93.9	93.8	86.4	87.9	88.0	88.3
Payable turnover days	108.8	94.2	117.9	114.9	134.6	110.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	16.3	13.7	18.2	12.9	7.9	6.1
P/B	0.9	0.9	0.9	0.9	0.8	0.7
Div yield (%)	135.0	0.0	0.0	0.0	0.0	0.0

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

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