

China Technology Sector

Apple FY1Q beat with mixed guidance; iPhone 12 and Mac/iPad momentum to continue into 2021

Apple reported a strong FY1Q (CY4Q20) with EPS of US\$1.70 (+35% YoY) and revenue of US\$111.4bn (+21% YoY), which are 8% and 20% above consensus, driven by strong cycle of iPhone 12, Mac/iPad demand on WFH trend, robust Greater China sales and GPM beat. Looking into FY2Q, we think mgmt. FY2Q guidance was mixed: 1) solid revenue growth with typical seasonality, and 2) deceleration of services and wearables on high base and AirPods inventory destocking. We expect near-term profit taking on slower service/wearables, but we remain positive on Apple supply chain over Android camp in 2021, given 5G iPhone cycle, share gain from Huawei and iPad/ Watch momentum. We reiterate Buy on BYDE for share gain in iPad/Watch, FIT Hon Teng for Belkin accessories, and Luxshare/Goertek as wearables suppliers.

- Strength across all segments and regions; all-time high installed base.**
 Key highlights from earnings call include 1) iPhone revenue rebounded 17% YoY (vs -21% in FY4Q) driven by iPhone 12 cycle, Pro/Max models with higher ASP and global 5G network upgrade, 2) China/Japan revenue accelerated with 57%/33% YoY (vs -29%/-1% in FY4Q), 3) strong Mac/iPad (41%/21% YoY) boosted by WFH demand, new iPad Air and M1-equipped Mac, 4) solid service growth (+24% YoY) continued, 5) all-time high installed base of active devices (1.65bn total, 1bn+ iPhone), and 6) supply shortage (esp. iPhone) to alleviate in next quarter.
- Expect 5G iPhone cycle to persist into 2021.** We expect iPhone shipment to maintain strong momentum with 36%/36% YoY to 50mn/51mn in CY1Q/2Q21E. We expect further upside if overseas carriers (e.g. US, Europe) accelerate 5G network rollout and boost 5G subscriber penetration by offering attractive subsidy or trade-in plans. In addition, cheaper 5G iPhone SE in 2Q21E and iPhone 13 (all w/ ToF) in 3Q21E will bode well for market share gain amid Huawei weakness.
- Service/Wearables to return strong growth in 2H.** Although mgmt. guided weaker service/wearables for next quarter, we think Apple's 1.65bn installed base has established a solid foundation for replacement demand of new product pipeline this year (e.g. 2 AirPods, 5G SE, iPhone 13, AR/VR Glass).
- Prefer BYDE, FIT, Luxshare and Goertek for wireless/ wearables trend.** Since most components will be under ASP pressure due to higher 5G-semi BOM cost in iPhone 12, we prefer Apple names with share gain and wireless/wearables beneficiaries. We reiterate Buy on BYDE for share gain in iPad/ Watch OEM/components, FIT Hon Teng for Belkin accessories (TWS/wireless charger), and Luxshare/Goertek as wearables suppliers.

Valuation Table

Name	Ticker	Rating	Mkt Cap (USD mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY20E	P/E (x) FY21E	P/B (x) FY20E	ROE FY20E
AAC Tech	2018 HK	Hold	6,922	45.20	43.2	-4%	37.2	24.9	2.4	6.5
FIT Hon Teng	6088 HK	Buy	3,201	3.76	4.1	9%	19.9	13.7	1.5	7.3
BYDE	285 HK	Buy	16,989	60.80	49.5*	NA	22.4	20.0	5.6	25.1
Luxshare	002475 CH	Buy	58,178	52.78	74.2	41%	39.7	29.8	10.0	25.2
Tongda	698 HK	Buy	485	0.62	0.6*	NA	12.7	7.8	0.6	4.7
Goertek	002241 CH	Hold	19,493	39.05	46.0	18%	51.4	34.0	7.0	13.7

Source: Bloomberg, CMBIS estimates, * TP under review

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China Technology Sector

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Focus Charts

Figure 1: Apple's FY1Q21 (CY4Q20) results review

Apple Inc (AAPL US) US\$ bn	Actual			Consensus	
	FY1Q21	FY1Q20	YoY %	FY1Q21E	Diff (%)
Revenue	111.4	91.8	21%	103.1	8%
EPS (cent US\$)	1.70	1.26	35%	1.42	20%
GPM	39.8%	38.4%	1.4ppt	38.1%	1.7ppt
Product	95.7	79.1	21%	88.6	8%
iPhone	65.6	56.0	17%	60.3	9%
iPad	8.4	6.0	41%	7.6	11%
Mac	8.7	7.2	21%	8.9	-2%
Wearables, Home	13.0	10.0	30%	11.8	10%
Services	15.8	12.7	24%	14.9	6%

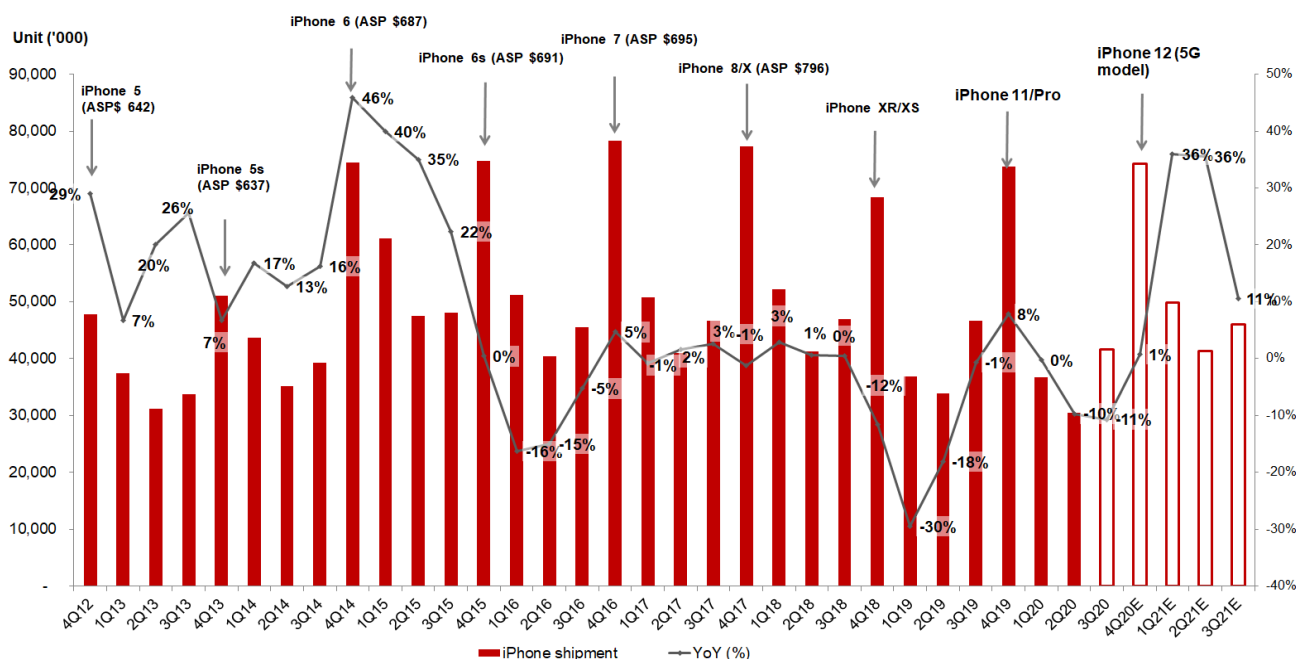
Source: Bloomberg, Company data, CMBIS

Figure 2: Supply chain mapping and sales mix exposure (2021)

Company	Ticker	Apple	Huawei	Samsung	Other CN brands	Others	Major handset 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		5%	15%	65%	15%	Camera module, handset/auto lens sets
BYDE	285 HK	30%	5%	15%	35%	15%	Metal/glass/plastics casing, ODM/OEM
Tongda	698 HK	20%	5%	10%	35%	25%	Metal/plastic casing, waterproof
Q-Tech	1478 HK		5%		85%	15%	Camera module/lens, fingerprint modules
TK Group	2283 HK	10%				90%	Plastic molding, plastic precision
Truly	732 HK			3%	62%	35%	Camera modules, fingerprint, display modules
Cowell	1445 HK	90%		5%		5%	Camera Module
Luxshare	002475 CH	60%	10%	3%		27%	Wireless, AirPods, Watch, acoustics/haptics, EMS
Goertek	002241 CH	45%	5%	10%	15%	25%	Acoustics, AirPods, Watch, AR/VR, Wearables
O-film	002456 CH	15%	5%	15%	55%	10%	Camera modules, fingerprint, touch panel
Sunway	300136 CH	45%	5%	10%	30%	10%	Antenna, wireless charging, connector, RF
Lens Tech	300433 CH	50%	5%	10%	20%	15%	Glass/metal casing, EMS

Source: Company data, CMBIS estimates

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



Source: Company data, CMBIS

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 (%)	
							FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Optics												
Sunny Optical	2382 HK	Buy	30,506	214.00	146.1*	na	49.0	36.2	12.7	9.8	26.0	27.1
Q Tech	1478 HK	Buy	2,631	16.90	18.8	11%	22.3	18.4	4.9	4.0	22.0	21.8
Truly	732 HK	NR	624	1.19	NA	NA	-	-	-	-	-	-
Cowell	1415 HK	NR	628	5.84	NA	NA	10.6	8.6	2.5	2.3	21.1	29.5
Largan	3008 TT	NR	14,249	2980	NA	NA	16.0	14.8	2.8	2.5	18.6	18.0
Genius	3406 TT	NR	1,932	482	NA	NA	17.1	13.7	3.4	2.9	21.3	22.4
Primax	4915 TT	NR	877	53.90	NA	NA	12.3	10.8	1.7	1.6	13.9	15.1
Lite-On	2301 TT	NR	4,811	56.60	NA	NA	12.3	11.9	1.7	1.7	14.2	14.1
O-Film	002456 CH	NR	4,370	11.24	NA	NA	23.9	17.1	2.7	2.4	11.0	14.4
Samsung Elec	009150 KS	NR	14,494	217000	NA	NA	28.0	20.6	2.8	2.5	10.5	13.0
Lg Innotek	011070 KS	NR	4,710	224500	NA	NA	17.2	10.5	2.1	1.8	12.8	18.3
Partron	091700 KS	NR	561	11400	NA	NA	23.1	10.8	1.6	1.5	7.3	14.7
Average							21.1	15.8	3.5	3.0	16.2	18.9
Acoustics/Haptics												
AAC Tech	2018 HK	Hold	6,922	45.20	43.2	-4%	37.2	24.9	2.4	2.3	6.5	9.3
Goertek	002241 CH	Buy	19,493	39.05	46.0	18%	51.4	34.0	7.0	6.1	13.7	18.0
Luxshare	002475 CH	Buy	58,178	52.78	74.2	41%	39.7	29.8	10.0	7.7	25.2	25.8
Sunway	300136 CH	NR	5,340	36.34	NA	NA	25.7	17.7	5.7	4.3	22.3	25.0
Merry	2439 TT	NR	1,005	136	NA	NA	16.8	11.8	2.3	2.1	12.9	18.8
Knowles	KN US	NR	1,802	19.66	NA	NA	31.4	15.7	1.4	1.4	4.6	9.2
Nidec	6594 JP	NR	85,028	14400	NA	NA	104.0	74.4	8.4	8.4	8.6	11.6
Alps Alpine	6770 JP	NR	3,338	1575	NA	NA	36.8	75.3	0.9	1.0	2.2	1.8
Average							42.9	35.4	4.8	4.2	12.0	14.9
Connector												
FIT Hon Teng	6088 HK	Buy	3,201	3.76	4.1	9%	19.9	13.7	1.5	1.3	7.3	9.8
Luxshare	002475 CH	Buy	58,178	52.78	74.2	41%	39.7	29.8	10.0	7.7	25.2	25.8
TE	TEL US	NR	40,898	123.54	NA	NA	31.2	23.1	4.4	4.1	10.5	18.0
Amphenol	APH US	NR	38,896	130.02	NA	NA	35.9	30.7	7.7	7.0	23.5	24.7
Delphi	DLPH US	NR	-	N/A	NA	NA	-	-	-	-	(5.4)	27.2
Average							31.7	24.3	5.9	5.0	12.2	21.1
EMS/OEM												
BYDE	285 HK	Buy	16,989	60.80	49.5*	NA	22.4	20.0	5.6	4.5	25.1	22.4
Luxshare	002475 CH	Buy	58,178	52.78	74.2	41%	39.7	29.8	10.0	7.7	25.2	25.8
Hon Hai Precision	2317 TT	NR	60,883	122.00	NA	NA	16.1	13.2	1.3	1.2	8.0	9.5
Pegatron	4938 TT	NR	7,711	77.70	NA	NA	9.8	11.5	1.2	1.2	12.8	10.3
Wistron	3231 TT	NR	3,283	30.85	NA	NA	10.2	9.8	1.2	1.1	11.3	11.4
Average							29.0	20.9	6.6	5.0	13.6	19.9
Casing												
BYDE	285 HK	Buy	16,989	60.80	49.5*	NA	22.4	20.0	5.6	4.5	25.1	22.4
Tongda	698 HK	Buy	485	0.62	0.6*	NA	12.7	7.8	0.6	0.6	4.7	7.7
TK Group	2283 HK	Buy	351	3.25	2.3	NA	5.9	5.0	2.1	2.1	35.7	41.7
Ju Teng	3336 HK	NR	342	2.22	NA	NA	6.7	7.6	0.4	0.4	6.4	5.3
Everwin	300115 CH	NR	4,371	28.00	NA	NA	44.6	28.4	5.1	4.5	12.2	16.9
Lens Tech	300433 CH	NR	26,962	35.11	NA	NA	34.9	27.1	5.4	4.7	17.8	19.5
Chaozhou Three	300408 CH	NR	11,538	40.75	NA	NA	50.3	36.1	8.4	7.0	16.5	16.9
Casetek	5264 TT	NR	1,308	87.10	NA	NA	51.4	26.7	1.1	1.1	2.3	4.2
Catcher	2474 TT	NR	5,575	199.0	NA	NA	10.0	10.7	1.0	1.0	11.5	9.4
Jabil	JBL US	NR	6,461	43.02	NA	NA	16.6	9.3	4.0	2.9	22.6	34.4
Average							25.5	17.9	3.4	2.9	15.5	17.8

Source: Bloomberg, CMBIS estimates, * TP under review

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