

# BYDE (285 HK)

## 1Q23 beat on better GPM; Maintain HOLD on fair valuation

BYDE's 1Q23 revenue/NP growth of 26%/155% YoY beat market expectations, mainly driven by Apple share gain, household energy storage & automotive ramp and improving utilization. During earnings call, mgmt. guided 1) gradual recovery for Android business in 2H23E on mid to high-end model demand, 2) share gain in Apple OEM/components; 3) residential energy storage with 50-100% YoY; and 4) auto segment with 100%+ YoY in FY23E. We adjusted FY23/24E EPS by 1-2% to reflect better GPM recovery. The stock trades at 16.0x FY23E P/E, which is fair in our view. Maintain HOLD with new SOTP-based TP of HK\$22.2, implying 14.1x FY23E P/E.

- **1Q23 beat on better sales mix and improving utilization.** BYDE's 1Q23 revenue/NP growth of 26%/155% YoY are driven by Apple share gain, new intelligent & automotive products ramp-up and better cost control. GPM improved 2.2ppts YoY to 7.7% (pre-COVID-19 level) thanks to better product mix from smart/auto intelligent segments and improving utilization from handset OEM/components segment.
- **Android biz to recover in 2H23E; Apple share gain to continue.** Mgmt. guided android business to recover in 2H23E mainly driven by mid to high-end android demand recovery, while metal/glasses components and high-end android assembly will also improve sequentially for coming few quarters in FY23E. In addition, mgmt. guided Apple sales mix to increase in FY23/24E driven by share gain in iPad OEM/components.
- **FY23E outlook: Automotive and residential energy storage to drive growth.** Looking into FY23E, mgmt. is positive on two growth opportunities: 1) new intelligent products (smart home, sweeping robots, drones) to achieve steady growth, and residential energy storage sales to grow 50-100% YoY in FY23E driven by Europe sales and market expansion; 2) automotive segment ramp-up driven by parentco orders and external auto OEM (e.g. NVIDIA, Continental and HARMAN). Mgmt. expected limited impact from recent auto demand slowdown and price war thanks to solid supply chain management.
- **Expect a recovery year; Maintain HOLD on fair valuation.** We adjusted FY23-24 EPS by 1-2% to reflect better-than expected GPM with better mix and improving utilization. We think current valuation of 16.0x/13.1x FY23/24E P/E is fair given overhang from smartphone weakness and automotive demand slowdown. Maintain HOLD with new SOTP-based TP of HK\$22.2, implying 14.1x FY23E P/E.

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	89,057	107,186	122,422	140,832	155,660
YoY growth (%)	21.8	20.4	14.2	15.0	10.5
Net profit (RMB mn)	2,309.9	1,857.6	2,947.5	3,600.2	4,387.2
YoY growth (%)	(57.5)	(19.6)	58.7	22.1	21.9
YoY growth (%)	(57.5)	(19.6)	58.7	22.1	21.9
EPS (Reported) (RMB)	1.03	0.82	1.31	1.60	1.95
Consensus EPS (RMB)	na	0.82	1.28	1.79	2.31
P/E (x)	32.2	22.1	16.0	13.1	10.7
P/B (x)	3.1	1.6	1.7	1.5	1.3
Yield (%)	0.3	0.9	0.6	0.8	0.9
ROE (%)	10.0	7.5	10.9	12.0	13.0
Net gearing (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Bloomberg, CMBIGM estimates

## HOLD (Maintain)

**Target Price** HK\$22.22  
(Previous TP HK\$20.30)  
**Up/Downside** (6.1%)  
**Current Price** HK\$23.65

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### Stock Data

Mkt Cap (HK\$ mn)	53,288.3
Avg 3 mths t/o (HK\$ mn)	137.4
52w High/Low (HK\$)	28.25/13.74
Total Issued Shares (mn)	2253.2
Source: FactSet	

### Shareholding Structure

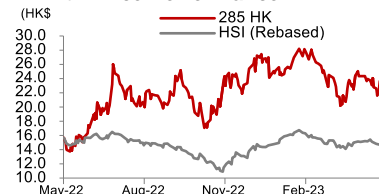
Golden Link Worldwide Ltd	65.8%
Gold Dragonfly Ltd	5.0%
Source: HKEx	

### Share Performance

	Absolute	Relative
1-mth	-3.1%	-0.8%
3-mth	-15.2%	-6.6%
6-mth	-2.7%	-22.7%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

## 1Q23 Results review

Figure 1: Quarterly results review

RMB mn	1Q21	2Q21	3Q21	4Q21	1Q22	YoY	QoQ
Revenue	20,933	22,761	27,462	36,030	26,375	26%	-27%
Gross profit	1,145	1,184	1,796	2,226	2,030	77%	-9%
Net profit	180	454	603	621	459	155%	-26%
EPS (RMB)	0.08	0.20	0.27	0.27	0.20	150%	-27%
Gross margin	5.5%	5.2%	6.5%	6.2%	7.7%	2.2 ppt	1.5 ppt
Net margin	0.9%	2.0%	2.2%	1.7%	1.7%	0.9 ppt	0 ppt
Revenue (YoY)	5.2%	-7.6%	28.3%	55.8%	26.0%		
Gross profit (YoY)	-10.7%	-33.5%	16.4%	56.2%	77.4%		
Net profit (YoY)	-77.7%	-45.7%	17.4%	305.5%	154.9%		

Source: Company data, Bloomberg, CMBIGM estimates

## Earnings Revision

### Adjusted FY23/24E EPS to reflect better-than-expected GPM recovery

We adjusted FY23-24 EPS by 1-2% to reflect better-than-expected GPM recovery on better revenue mix and improving utilization.

Figure 2: Earnings revision

RMB mn	New			Old			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	122,422	140,832	155,660	119,912	137,663	149,070	2.1%	2.3%	4.4%
Gross Profit	8,620	10,310	11,980	8,150	9,853	11,353	5.8%	4.6%	5.5%
Operating Profit	2,116	2,846	3,730	1,914	2,694	3,602	10.5%	5.6%	3.6%
Net profit	2,948	3,600	4,387	2,901	3,595	4,403	1.6%	0.1%	-0.3%
EPS (RMB)	1.31	1.60	1.95	1.29	1.60	1.95	1.6%	0.1%	-0.3%
Gross Margin	7.0%	7.3%	7.7%	6.8%	7.2%	7.6%	0.2 ppt	0.2 ppt	0.1 ppt
Operating Margin	1.7%	2.0%	2.4%	1.6%	2.0%	2.4%	0.1 ppt	0.1 ppt	0 ppt
Net Margin	2.4%	2.6%	2.8%	2.4%	2.6%	3.0%	0 ppt	-0.1 ppt	-0.1 ppt

Sources: Company data, CMBIGM estimates

Figure 3: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	122,422	140,832	155,660	126,699	148,034	169,041	-3%	-5%	-8%
Gross Profit	8,620	10,310	11,980	8,808	11,150	13,460	-2%	-8%	-11%
Operating Profit	2,116	2,846	3,730	2,601	3,653	5,181	-19%	-22%	-28%
Net profit	2,948	3,600	4,387	2,877	4,024	5,203	2%	-11%	-16%
EPS (RMB)	1.31	1.60	1.95	1.28	1.79	2.31	2%	-11%	-16%
Gross Margin	7.0%	7.3%	7.7%	7.0%	7.5%	8.0%	0.1 ppt	-0.2 ppt	-0.3 ppt
Operating Margin	1.7%	2.0%	2.4%	2.1%	2.5%	3.1%	-0.3 ppt	-0.4 ppt	-0.7 ppt
Net Margin	2.4%	2.6%	2.8%	2.3%	2.7%	3.1%	0.1 ppt	-0.2 ppt	-0.3 ppt

Source: Company data, CMBIGM estimates

**Figure 4: Revenue breakdown**

RMB mn	FY22	1H23E	2H23E	FY23E	FY24E	FY25E
<b>Assembly</b>	<b>68,054</b>	<b>30,500</b>	<b>41,125</b>	<b>71,625</b>	<b>78,750</b>	<b>82,000</b>
... YoY	22%	15.3%	-1.2%	5%	10%	4%
<b>Component (metal/glass/plastic)</b>	<b>14,155</b>	<b>6,613</b>	<b>8,675</b>	<b>15,288</b>	<b>14,880</b>	<b>14,722</b>
... YoY	-10%	-1.4%	16.5%	8%	-3%	-1%
Metal	7,304	3,104	3,104	6,208	5,277	4,486
Plastic	3,221	1,132	1,672	2,803	2,469	2,099
Glass/ceramic	5,130	2,472	3,916	6,388	7,542	8,296
<b>New intelligent</b>	<b>15,207</b>	<b>8,300</b>	<b>9,948</b>	<b>18,248</b>	<b>21,898</b>	<b>26,278</b>
... YoY	22%	20.0%	20.0%	20%	20%	20%
E-cigarette	1,540	450	1,860	2,310	3,234	3,881
... YoY	54%	50.0%	50.0%	50%	40%	20%
Household energy storage	1,500	540	2,400	2,940	4,998	7,497
... YoY				96%	70%	50%
<b>Auto intelligent</b>	<b>9,263</b>	<b>5,827</b>	<b>10,847</b>	<b>16,673</b>	<b>25,010</b>	<b>32,513</b>
... YoY	146%	80%	80%	80%	50%	30%
<b>Total</b>	<b>107,186</b>	<b>51,769</b>	<b>70,654</b>	<b>122,422</b>	<b>140,832</b>	<b>155,660</b>
... YoY	20%	18.5%	11%	14%	15%	11%

Source: Company data, CMBIGM estimates

**Figure 5: P&L forecast**

RMB mn	FY22	1H23E	2H23E	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>107,186</b>	<b>51,769</b>	<b>70,654</b>	<b>122,422</b>	<b>140,832</b>	<b>155,660</b>
... YoY	20.4%	18.5%	11.3%	14.2%	15.0%	10.5%
Cost of sales	(100,836)	(48,179)	(65,623)	(113,802)	(130,522)	(143,680)
<b>Gross profit</b>	<b>6,350</b>	<b>3,590</b>	<b>5,030</b>	<b>8,620</b>	<b>10,310</b>	<b>11,980</b>
GPM (%)	5.9%	6.9%	7.1%	7.0%	7.3%	7.7%
... YoY	5.3%	54.2%	25.1%	35.7%	19.6%	16.2%
SG&A	(1,770)	(932)	(1,060)	(1,992)	(2,324)	(2,568)
... % of rev	2%	2%	2%	2%	2%	2%
R&D	(3,969)	(1,864)	(2,650)	(4,513)	(5,140)	(5,682)
... % of rev	4%	4%	4%	4%	4%	4%
<b>Operating profit</b>	<b>611</b>	<b>794</b>	<b>1,321</b>	<b>2,116</b>	<b>2,846</b>	<b>3,730</b>
OPM (%)	1%	2%	2%	2%	2%	2%
... YoY	-57%	1773%	132%	246%	35%	31%
<b>Net profit</b>	<b>1,858</b>	<b>1,158</b>	<b>1,790</b>	<b>2,948</b>	<b>3,600</b>	<b>4,387</b>
NPM (%)	1.7%	2.2%	2.5%	2.4%	2.6%	2.8%
... YoY	-20%	83%	46%	59%	22%	22%

Source: Company data, CMBIGM estimates

## Valuation

### Maintain HOLD with new TP HK\$22.2

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

Our new TP of HK\$22.2 is based on weighted-average target P/E multiple of 14.1x FY23E EPS. We assign 10x P/E to its assembly EMS business and 15x P/E for component business, in-line with TW/HK-listed peers. We assign 15x for new intelligent and auto intelligent segments to reflect its growth potential.

**Figure 6: BYDE – SOTP valuation**

Business segment	% of FY23E Profit	FY23E EPS (RMB)	Target P/E
Assembly	17%	0.22	10x
Components	22%	0.29	15x
Masks	0.8%	0.01	8x
New Intelligent	29%	0.38	15x
Auto intelligent	31%	0.40	15x
Others	0%	0.0	10x
Total (RMB) /Implied P/E		<b>1.31</b>	14.1x
TP (HK\$)			22.2

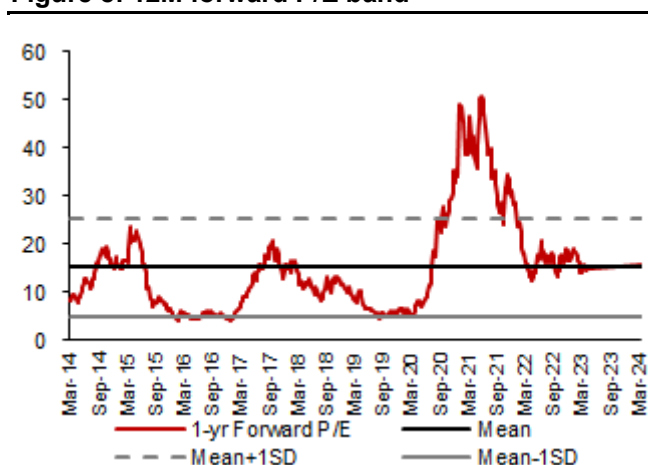
Sources: Company data, CMBIGM estimates

**Figure 7: 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	Hold	6,674	23.65	22.2	-6%	16.0	13.1	1.7	1.5	10.9	12.0
Tongda	698 HK	Buy	135	0.11	0.20	83%	3.0	2.7	0.1	0.1	2.9	4.7
AAC Tech	2018 HK	Hold	2,537	16.62	15.6	-6%	15.2	13.7	0.8	0.8	5.2	5.7
TK Group	2283 HK	Buy	179	1.69	3.4	100%	3.3	4.3	0.7	0.7	20.7	17.8
Ju Teng	3336 HK	NR	199	1.30	NA	NA	-	-	-	-	-	-
Everwin	300115 CH	NR	1,984	11.42	NA	NA	23.4	13.1	2.2	1.9	9.5	15.1
Lens Tech	300433 CH	NR	8,390	11.66	NA	NA	16.6	12.7	1.2	1.2	7.6	9.3
Foxconn	2354 TT	NR	2,470	53.80	NA	NA	14.4	12.3	0.7	0.7	5.0	5.6
Catcher	2474 TT	NR	4,232	182.50	NA	NA	20.2	16.7	0.8	0.8	4.0	4.5
Average							14.0	11.1	1.0	1.0	8.2	9.3

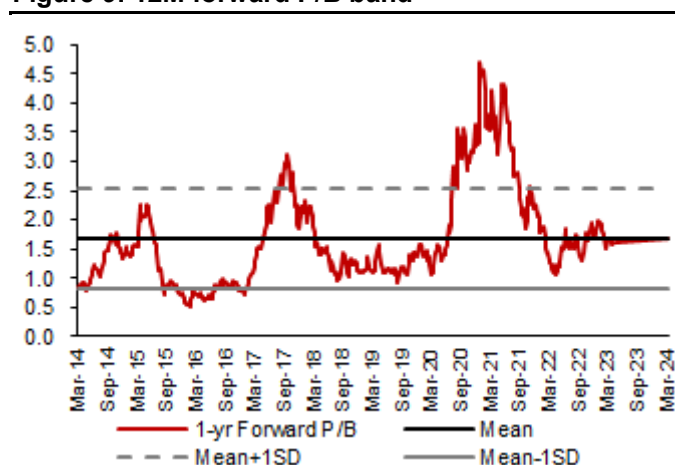
Source: Bloomberg, CMBIGM estimates

**Figure 8: 12M forward P/E band**



Source: Bloomberg, CMBIGM estimates

**Figure 9: 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	122,422	140,832	155,660
Cost of goods sold	(63,492)	(83,028)	(100,836)	(113,802)	(130,522)	(143,680)
Gross profit	9,629	6,029	6,350	8,620	10,310	11,980
Selling expense	(237)	(275)	(535)	(612)	(704)	(778)
Admin expense	(673)	(1,041)	(1,235)	(1,380)	(1,620)	(1,790)
R&D expense	(2,913)	(3,308)	(3,969)	(4,513)	(5,140)	(5,682)
Operating profit	5,806	1,405	611	2,116	2,846	3,730
Other income/expense	487	1,104	1,386	1,255	1,258	1,258
Pre-tax profit	6,221	2,465	1,939	3,312	4,045	4,929
Income tax	(779)	(155)	(81)	(364)	(445)	(542)
Minority interest	0	0	0	0	0	0
Net profit	5,441	2,310	1,858	2,948	3,600	4,387
Adjusted net profit	5,441	2,310	1,858	2,948	3,600	4,387

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	26,069	27,630	40,488	29,510	46,549	35,360
Cash & equivalents	3,466	2,825	6,244	(3,065)	4,358	(3,554)
Account receivables	14,391	9,240	10,471	20,134	15,074	23,841
Inventories	6,891	10,567	17,046	5,714	20,390	8,346
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	17,067	19,311	21,702
PP&E	9,693	11,182	12,941	15,209	17,677	20,307
Deferred income tax	0	201	481	481	481	481
Other non-current assets	1,132	931	1,583	1,377	1,153	914
Total assets	37,976	41,175	56,994	48,283	67,791	59,231
Current liabilities	14,840	16,220	30,143	18,653	34,920	22,412
Short-term borrowings	0	0	0	0	0	0
Account payables	8,146	11,724	22,002	10,513	26,779	14,272
Tax payable	57	184	363	363	363	363
Other current liabilities	6,636	4,312	7,777	7,777	7,777	7,777
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	19,870	36,136	23,629
Share capital	4,052	4,052	4,052	4,052	4,052	4,052
Other reserves	18,220	19,975	21,583	24,362	27,602	31,550
Total shareholders equity	22,272	24,027	25,635	28,414	31,654	35,603
Minority interest	0	0	0	0	0	0
Total equity and liabilities	37,976	41,175	56,994	48,283	67,791	59,231

<b>CASH FLOW</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	6,221	2,465	1,939	3,312	4,045	4,929
Depreciation & amortization	1,760	1,717	1,973	2,266	2,602	2,974
Change in working capital	(4,745)	(2,228)	2,568	(9,820)	6,651	(9,230)
Others	(27)	(187)	(124)	(306)	(386)	(484)
<b>Net cash from operations</b>	<b>3,209</b>	<b>1,768</b>	<b>6,356</b>	<b>(4,548)</b>	<b>12,912</b>	<b>(1,810)</b>
<b>Investing</b>						
Capital expenditure	(2,795)	(3,206)	(3,859)	(4,407)	(5,070)	(5,604)
Others	(186)	0	0	0	0	0
<b>Net cash from investing</b>	<b>(2,981)</b>	<b>(3,206)</b>	<b>(3,859)</b>	<b>(4,407)</b>	<b>(5,070)</b>	<b>(5,604)</b>
<b>Financing</b>						
Dividend paid	(160)	(232)	(372)	(295)	(360)	(439)
Others	1,730	(43)	(59)	(59)	(59)	(59)
<b>Net cash from financing</b>	<b>1,570</b>	<b>(275)</b>	<b>(430)</b>	<b>(353)</b>	<b>(419)</b>	<b>(497)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	1,651	3,466	2,825	6,244	(3,065)	4,358
Exchange difference	16	1,072	1,352	0	0	0
<b>Cash at the end of the year</b>	<b>3,466</b>	<b>2,825</b>	<b>6,244</b>	<b>(3,065)</b>	<b>4,358</b>	<b>(3,554)</b>
<b>GROWTH</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Revenue	37.9%	21.8%	20.4%	14.2%	15.0%	10.5%
Gross profit	143.3%	(37.4%)	5.3%	35.7%	19.6%	16.2%
Operating profit	484.3%	(75.8%)	(56.5%)	246.3%	34.5%	31.1%
Net profit	240.6%	(57.5%)	(19.6%)	58.7%	22.1%	21.9%
Adj. net profit	240.6%	(57.5%)	(19.6%)	58.7%	22.1%	21.9%
<b>PROFITABILITY</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Gross profit margin	13.2%	6.8%	5.9%	7.0%	7.3%	7.7%
Operating margin	7.9%	1.6%	0.6%	1.7%	2.0%	2.4%
Adj. net profit margin	7.4%	2.6%	1.7%	2.4%	2.6%	2.8%
Return on equity (ROE)	27.7%	10.0%	7.5%	10.9%	12.0%	13.0%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
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	1.6	1.3	1.6
Receivable turnover days	52.1	48.7	45.6	45.6	45.6	45.6
Inventory turnover days	40.6	38.4	36.5	36.5	36.5	36.5
Payable turnover days	52.1	52.1	52.1	52.1	52.1	52.1
<b>VALUATION</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
P/E	9.1	32.2	22.1	16.0	13.1	10.7
P/B	2.2	3.1	1.6	1.7	1.5	1.3
Div yield (%)	1.1	0.3	0.9	0.6	0.8	0.9
EV	22,272.3	24,027.1	25,635.1	28,413.9	31,654.0	35,602.6
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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