

BYDE (285 HK)

3Q23 beat and raise; Our sector top pick

We raised our SOTP-based TP to HK\$45.30 (implied 18.2x P/E) following 3Q23 earnings beat and strong order momentum from Huawei's Mate 60 series. BYDE preannounced 9M23 NP of RMB2,836-3,116mn (up 129-152% YoY), tracking 86%/ 86% of our/consensus FY23E NP estimates. Mid-point implies 3Q23 NP growth of 141% YoY (vs 139% YoY in 1H23), well above expectation. BYDE attributed strong 3Q23 to overseas client expansion, Android recovery, robust new businesses (e.g. NEV, new intelligent) and increasing utilization. We lifted FY23-25E EPS by 17-25% to reflect Apple share gain, stronger Huawei orders and better operating efficiency. Overall, we remain positive on Huawei's momentum, share gain in iPad OEM/components and rapid growth in household energy storage and NEV biz. The stock now trades at 20.0x/15.9x FY23/24E P/E, which is attractive in our view. Reiterate BUY as sector top pick.

- **9M23 positive profit alert (129-152% YoY) on strength across all segments.** BYDE announced 9M23 positive profit alert, stating 129-152% YoY NP growth. Mid-point implied 141% NP growth in 3Q23, compared to 139% YoY in 1H23. We believe the strong beat was driven by iPad share gain, strong orders from Huawei Mate 60 Pro (casing+OEM), and solid demand on NEV/new intelligent segments. In addition, we also believe 3Q23 NPM improved significantly to 3.5% (vs 2.7% in 1H23), thanks to stronger growth of high-margin segments (Apple biz, NEV/new intelligent products) and improving utilization with high-end Android orders.
- **2H23E outlook: Huawei comeback, iPad share gain and margin recovery.** We believe Huawei's strong orders and China's Android recovery will boost OEM/casing utilization and overall profitability in 2H23E. In addition, Huawei's high-end models and iPad share gain will lead to better product mix and revenue growth in 4Q23E.
- **FY24E: Jabil's synergy, household energy storage and robust NEV expansion.** Looking into FY24E, we expect the acquisition of Jabil's mobility business will generate synergies with BYDE's component product portfolio and share gain across Apple's product categories (e.g. iPhone, iPad, Watch). Also, we expect product portfolio expansion in household energy storage and smart home products will drive demand. For NEV, backed by parentco orders and product expansion, growth opportunities will mainly come from smart cockpit and autonomous driving trends.
- **Our FY23E EPS is 16% above consensus; lift TP to HK\$45.30.** Reiterate BUY for Huawei recovery, Apple share gain and NEV/new intelligent upside. The stock now trades at 20.0x/15.9x FY23/24E, which is attractive in our view. Our new TP of HK\$45.30 implies 18.2x FY24E P/E.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	89,057	107,186	129,576	151,936	179,241
YoY growth (%)	21.8	20.4	20.9	17.3	18.0
Net profit (RMB mn)	2,309.9	1,857.6	4,055.1	5,089.1	6,650.8
YoY growth (%)	(57.5)	(19.6)	118.3	25.5	30.7
EPS (Reported) (RMB)	1.03	0.82	1.80	2.26	2.95
Consensus EPS (RMB)	na	na	1.55	2.09	2.74
P/E (x)	32.2	22.1	20.0	15.9	12.2
P/B (x)	3.1	1.6	2.7	2.4	2.0
Yield (%)	0.3	0.9	0.3	0.6	0.8
ROE (%)	10.0	7.5	14.7	16.0	17.9
Net gearing (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$45.30
(Previous TP)	HK\$41.98
Up/Downside	18.0%
Current Price	HK\$38.40

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Stock Data

Mkt Cap (HK\$ mn)	86,523.1
Avg 3 mths t/o (HK\$ mn)	227.0
52w High/Low (HK\$)	39.95/18.92
Total Issued Shares (mn)	2253.2
Source: FactSet	

Shareholding Structure

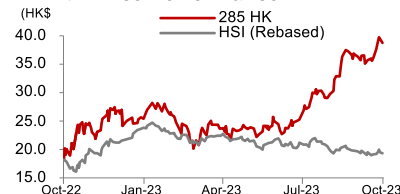
Golden Link Worldwide Ltd	65.8%
Gold Dragonfly Ltd	5.0%
Source: HKEx	

Share Performance

	Absolute	Relative
1-mth	3.2%	5.6%
3-mth	51.5%	65.5%
6-mth	61.7%	89.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings revision

Raised FY23-25E EPS to reflect 3Q23 beat and stronger margins

We revised up FY23-25E EPS by 19-25% to reflect strong 3Q23 preannouncement, stronger revenue growth and improving utilization. We believe stronger Huawei orders and Apple share gain in iPad OEM/components are major growth drivers in 2H23/2024E. Our FY23-25E EPS is 8-16% ahead of consensus due to our more positive view on margin rebound and operating efficiency.

Figure 1: Earnings revision

RMB mn	New			Old			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	129,576	151,936	179,241	123,327	141,246	156,988	5.1%	7.6%	14.2%
Gross Profit	10,477	12,819	16,062	9,780	11,320	13,354	7.1%	13.2%	20.3%
Operating Profit	3,281	4,538	6,293	2,693	3,622	4,798	21.8%	25.3%	31.2%
Net profit	4,055	5,089	6,651	3,477	4,273	5,320	16.6%	19.1%	25.0%
EPS (RMB)	1.80	2.26	2.95	1.54	1.90	2.36	16.6%	19.1%	25.0%
Gross Margin	8.1%	8.4%	9.0%	7.9%	8.0%	8.5%	0.2 ppt	0.4 ppt	0.5 ppt
Operating Margin	2.5%	3.0%	3.5%	2.2%	2.6%	3.1%	0.3 ppt	0.4 ppt	0.5 ppt
Net Margin	3.1%	3.3%	3.7%	2.8%	3.0%	3.4%	0.3 ppt	0.3 ppt	0.3 ppt

Sources: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	129,576	151,936	179,241	130,321	159,360	183,587	-0.6%	-4.7%	-2.4%
Gross Profit	10,477	12,819	16,062	9,958	13,076	16,047	5.2%	-2.0%	0.1%
Operating Profit	3,281	4,538	6,293	2,789	4,523	6,266	17.6%	0.3%	0.4%
Net profit	4,055	5,089	6,651	3,465	4,696	6,185	17.0%	8.4%	7.5%
EPS (RMB)	1.80	2.26	2.95	1.55	2.09	2.74	16.1%	7.9%	7.9%
Gross Margin	8.1%	8.4%	9.0%	7.6%	8.2%	8.7%	0.4 ppt	0.2 ppt	0.2 ppt
Operating Margin	2.5%	3.0%	3.5%	2.1%	2.8%	3.4%	0.4 ppt	0.1 ppt	0.1 ppt
Net Margin	3.1%	3.3%	3.7%	2.7%	2.9%	3.4%	0.5 ppt	0.4 ppt	0.3 ppt

Source: Company data, CMBIGM estimates

Figure 3: Revenue breakdown

RMB mn	FY22	1H23	2H23E	FY23E	FY24E	FY25E
Assembly	68,054	36,062	41,595	77,657	85,640	95,880
... YoY	22%	36.4%	0.0%	14%	10%	12%
Component (metal/glass/plastic)	14,155	4,986	9,160	14,146	15,693	17,364
... YoY	-10%	-25.7%	23.0%	0%	11%	11%
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
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	2,887	3,464
... YoY	54%	50.0%	30.0%	34%	40%	20%
Household energy storage	1,500	555	2,400	2,955	5,024	7,535
... YoY				97%	70%	50%
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	73,396	129,576	151,936	179,241
... YoY	20%	28.6%	16%	21%	17%	18%

Source: Company data, CMBIGM estimates

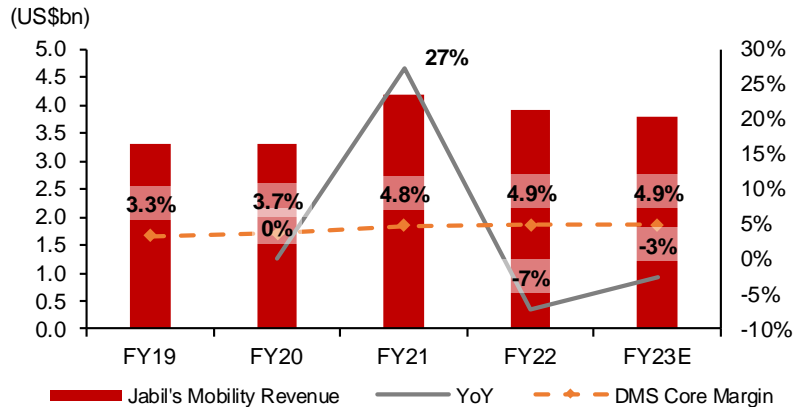
Figure 4: P&L forecast

RMB mn	FY22	1H23	2H23E	FY23E	FY24E	FY25E
Revenue	107,186	56,180	73,396	129,576	151,936	179,241
...YoY	20.4%	28.6%	15.6%	20.9%	17.3%	18.0%
Cost of sales	(100,836)	(51,771)	(67,328)	(119,099)	(139,117)	(163,179)
Gross profit	6,350	4,409	6,068	10,477	12,819	16,062
GPM (%)	5.9%	7.8%	8.3%	8.1%	8.4%	9.0%
...YoY	5.3%	89.4%	50.9%	65.0%	22.4%	25.3%
SG&A	(1,770)	(921)	(1,028)	(1,948)	(2,507)	(2,957)
...% of rev	2%	2%	1%	2%	2%	2%
R&D	(3,969)	(2,459)	(2,789)	(5,248)	(5,774)	(6,811)
...% of rev	4%	4%	4%	4%	4%	4%
Operating profit	611	1,029	2,252	3,281	4,538	6,293
OPM (%)	1%	2%	3%	3%	3%	4%
...YoY	-57%	2326%	296%	437%	38%	39%
Net profit	1,858	1,516	2,539	4,055	5,089	6,651
NPM (%)	1.7%	2.7%	3.5%	3.1%	3.3%	3.7%
...YoY	-20%	139%	107%	118%	25%	31%

Source: Company data, CMBIGM estimates

Overview of Jabil's Mobility segment

Figure 5: Jabil's Mobility segment revenue in FY19-23E



Source: Jabil's announcement, Bloomberg

Figure 6: Overview of Jabil's mobility business location in China (Wuxi, Chengdu)

Location	Main Business	Overview	Applications	Service Offerings	Manufacturing Area
Wuxi	EMS	* Offer 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 the famous mobile phone brand in the world.	* Mobile phone related parts	* Products include 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 the 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 * Deliver 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 and raised TP to HK\$45.30

We maintain BUY 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\$45.30 is based on weighted-average target P/E multiple of 18.2x 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 7: BYDE – SOTP valuation

Business segment	% of FY24E Profit	FY24E EPS (RMB)	Target P/E
Assembly	16%	0.37	15x
Components	19%	0.42	15x
Masks	0%	0.00	8x
New Intelligent	30%	0.68	20x
Auto intelligent	35%	0.79	20x
Others	0%	0.0	10x
Total (RMB) /Implied P/E		2.26	18.2x
TP (HK\$)			45.30

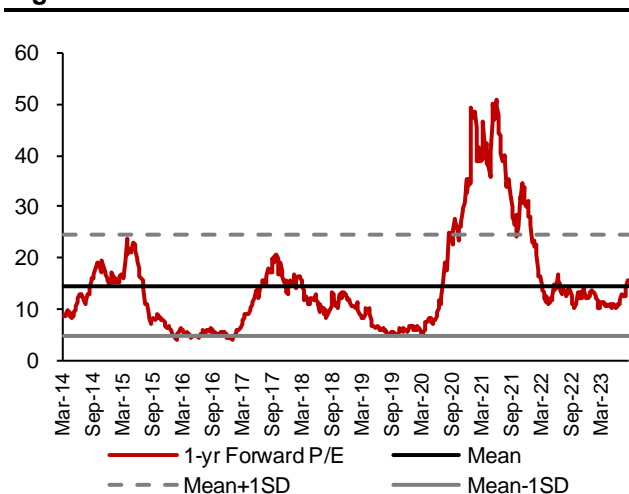
Sources: Company data, CMBIGM estimates

Figure 8: 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	11,060	38.40	45.3	18%	20.0	15.9	2.7	2.4	14.7	16.0
Tongda	698 HK	Buy	128	0.10	0.17	65%	5.7	3.6	0.1	0.1	2.3	3.5
AAC Tech	2018 HK	Hold	2,117	13.82	14.0	2%	24.3	13.9	0.7	0.6	2.7	4.6
TK Group	2283 HK	Buy	147	1.38	3.1	124%	4.9	-	0.7	-	13.3	17.0
Ju Teng	3336 HK	NR	181	1.18	NA	NA	-	-	-	-	-	-
Everwin	300115 CH	NR	1,730	10.51	NA	NA	29.0	14.0	2.1	1.8	7.1	13.2
Lens Tech	300433 CH	NR	9,277	13.64	NA	NA	22.0	16.5	1.5	1.4	6.7	8.5
Foxconn	2354 TT	NR	2,469	56.40	NA	NA	13.0	10.4	0.5	0.5	5.8	7.0
Catcher	2474 TT	NR	3,863	183.50	NA	NA	12.6	16.2	0.8	0.8	6.0	4.3
Average							16.7	13.3	1.1	1.1	7.0	8.9

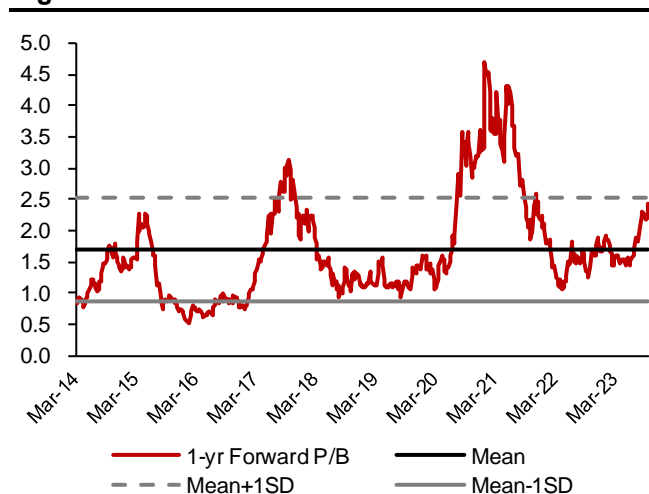
Source: Bloomberg, CMBIGM estimates

Figure 9: 12M forward P/E band



Source: Bloomberg, CMBIGM estimates

Figure 10: 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	129,576	151,936	179,241
Cost of goods sold	(63,492)	(83,028)	(100,836)	(119,099)	(139,117)	(163,179)
Gross profit	9,629	6,029	6,350	10,477	12,819	16,062
Selling expense	(237)	(275)	(535)	(657)	(760)	(896)
Admin expense	(673)	(1,041)	(1,235)	(1,291)	(1,747)	(2,061)
R&D expense	(2,913)	(3,308)	(3,969)	(5,248)	(5,774)	(6,811)
Operating profit	5,806	1,405	611	3,281	4,538	6,293
Other income/expense	487	1,104	1,386	1,272	1,272	1,272
Pre-tax profit	6,221	2,465	1,939	4,460	5,718	7,473
Income tax	(779)	(155)	(81)	(405)	(629)	(822)
Minority interest	0	0	0	0	0	0
Net profit	5,441	2,310	1,858	4,055	5,089	6,651
Adjusted net profit	5,441	2,310	1,858	4,055	5,089	6,651

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	26,069	27,630	40,488	37,699	46,916	49,591
Cash & equivalents	3,466	2,825	6,244	2,085	3,911	2,500
Account receivables	14,391	9,240	10,471	13,304	17,083	18,765
Inventories	6,891	10,567	17,046	15,584	19,196	21,599
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	17,244	19,765	22,769
PP&E	9,693	11,182	12,941	15,404	18,177	21,481
Deferred income tax	0	201	481	481	481	481
Other non-current assets	1,132	931	1,583	1,359	1,107	807
Total assets	37,976	41,175	56,994	56,668	68,658	74,638
Current liabilities	14,840	16,220	30,143	25,838	33,248	33,242
Short-term borrowings	0	0	0	0	0	0
Account payables	8,146	11,724	22,002	17,697	25,108	25,101
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	27,054	34,465	34,458
Share capital	4,052	4,052	4,052	4,052	4,052	4,052
Other reserves	18,220	19,975	21,583	25,561	30,141	36,127
Total shareholders equity	22,272	24,027	25,635	29,613	34,194	40,179
Minority interest	0	0	0	0	0	0
Total equity and liabilities	37,976	41,175	56,994	56,668	68,658	74,638

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	6,221	2,465	1,939	4,460	5,718	7,473
Depreciation & amortization	1,760	1,717	1,987	2,314	2,697	3,148
Change in working capital	(4,745)	(2,228)	2,568	(5,675)	19	(4,092)
Others	(27)	(187)	(124)	(313)	(536)	(729)
Net cash from operations	3,209	1,768	6,370	787	7,898	5,800
Investing						
Capital expenditure	(2,795)	(3,206)	(3,859)	(4,665)	(5,470)	(6,453)
Others	(186)	0	0	0	0	0
Net cash from investing	(2,981)	(3,206)	(3,859)	(4,665)	(5,470)	(6,453)
Financing						
Dividend paid	(160)	(232)	(372)	(203)	(509)	(665)
Others	1,730	(43)	(59)	(93)	(93)	(93)
Net cash from financing	1,570	(275)	(430)	(295)	(602)	(758)
Net change in cash						
Cash at the beginning of the year	1,651	3,466	2,825	6,258	2,085	3,911
Exchange difference	16	1,072	1,352	0	0	0
Cash at the end of the year	3,466	2,825	6,258	2,085	3,911	2,500

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

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