

BYDE (285 HK)

CMBI Corp Day takeaways: iPad/iPhone cycle, NEV, AI servers and robotics

We hosted BYDE at CMBI Technology Corporate Day on 28 Jun. Mgmt. reiterated their positive outlook in 2024: 1) Apple/Android: iPad share gains, AI iPhone upgrade cycle and high-end Android growth; 2) NEV: smart cockpits, heat-pump system, high-end ADAS system and active suspension products to drive 40%+ sales growth in FY24E; 3) Nvidia AI server/robotics: AI servers for Chinese CSPs and autonomous mobile robots (AMRs) for factories. The stock now trades at 15.2x FY24E P/E, which is attractive in our view. Our TP of HK\$45.15 is based on 17.2x FY24E P/E. Reiterate BUY and BYDE is our sector top pick.

- **Consumer electronics: iPad share gains, iPhone casing and high-end Android growth.** For Apple's biz, mgmt. remains positive on iPad share gains and iPhone cycle, boosting sales contribution of 50-60% in FY24E. Mgmt. expects AI smartphones to bring long-term growth opportunities on spec upgrade in structural components. In addition, mgmt. believes Jabil synergies will result in earnings upside on efficiency improvement (better automation) and lower finance costs (CNY financing). For non-Apple biz, mgmt. believes Android high-end growth is positive to ODM/casing shipment and guided 10-15% YoY growth for FY24E.
- **Automotive: 40%+ sales growth in FY24E.** Mgmt. shared highlights below during our meetings: 1) smart cockpit growth driven by Parentco orders; 2) heat pump system and high-end ADAS system products entered mass production and will contribute sales in 2024; 3) active suspension products will start mass production in 4Q24E. Overall, mgmt. guided automotive business to deliver 40% YoY growth in FY24E thanks to shipment growth and value content increase.
- **Nvidia's AI server/robotics: Emerging growth drivers in FY24-25E.** Mgmt. stated that AI server ODM products started shipment to Chinese CSP clients in 1H24E, and BYDE is cooperating closely with Nvidia to develop the next-gen AI server products and components for mass production in FY25E. In addition, BYDE has co-developed AMR robots with Nvidia focusing on logistics in factories, and these robots have started trial runs in BYD factories. Mgmt. believes self-developed robotics will reduce labour costs and enhance efficiency. While household energy storage demand is weaker than expected in Europe, mgmt. believes AI server and robotics will be emerging growth drivers in 2024-25E.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	107,186	129,957	181,168	207,378	236,855
YoY growth (%)	20.4	21.2	39.4	14.5	14.2
Net profit (RMB mn)	1,857.6	4,041.4	5,382.6	7,330.2	8,992.7
YoY growth (%)	(19.6)	117.6	33.2	36.2	22.7
EPS (Reported) (RMB)	0.82	1.79	2.39	3.25	3.99
Consensus EPS (RMB)	0.00	1.70	2.34	2.95	3.55
P/E (x)	44.0	20.2	15.2	11.2	9.1
P/B (x)	3.2	2.8	4.3	3.4	2.7
Yield (%)	0.5	1.5	2.0	2.7	3.3
ROE (%)	7.5	14.7	22.3	34.0	33.0
Net gearing (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$45.15
Up/Downside 15.8%
Current Price HK\$39.00

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Stock Data

Mkt Cap (HK\$ mn)	87,875.0
Avg 3 mths t/o (HK\$ mn)	342.8
52w High/Low (HK\$)	40.00/23.60
Total Issued Shares (mn)	2253.2

Source: FactSet

Shareholding Structure

Golden Link Worldwide Ltd	65.8%
Gold Dragonfly Ltd	5.0%

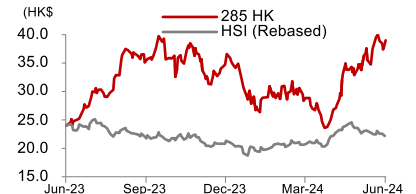
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	12.2%	19.2%
3-mth	35.2%	26.2%
6-mth	9.4%	5.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

- 1) 1Q24 solid on track; Android recovery, Jabil synergy, high-end NEV and AI servers the bright spots – 2 May 2024 ([link](#))
- 2) Reiterate BUY on multiple growth drivers in 2024 – 29 Mar 2024 ([link](#))
- 3) FY23 positive profit alert above expectations; Reiterate BUY on strong FY24E outlook – 30 Jan 2024 ([link](#))
- 4) Market concerns overdone; Strong NEV and Jabil mobile synergies ahead – 25 Jan 2024 ([link](#))

Earnings Forecasts

Figure 1: Revenue breakdown

(RMB mn)	FY23	1H24E	2H24E	FY24E	FY25E	FY26E
Assembly	83,783	40,600	54,253	94,853	103,132	108,993
... YoY	23%	12.6%	13.7%	13%	9%	6%
Component (metal/glass/plastic)	13,637	14,624	30,495	44,758	50,492	57,917
... YoY	-4%	193.3%	252.5%	228%	13%	15%
Metal	6,208	2,706	2,706	5,412	5,502	5,451
Plastic	2,803	1,132	1,755	2,887	3,031	3,334
Glass/ceramic	5,143	1,148	4,190	5,338	6,405	7,687
Jabil component	-	-	-	29,820	34,020	39,608
New intelligent	18,441	10,799	11,330	22,129	26,555	31,866
... YoY	21%	20.0%	20.0%	20%	20%	20%
E-cigarette	2,062	495	1,773	2,268	2,495	2,745
... YoY	34%	10.0%	10.0%	10%	10%	10%
Household energy storage	2,775	611	2,442	3,053	3,358	3,694
... YoY	85%			10%	10%	10%
Auto intelligent	14,096	8,280	11,148	19,428	27,199	38,078
... YoY	52%	35%	40%	38%	40%	40%
Total	129,957	74,302	107,227	181,168	207,378	236,855
... YoY	21%	32.3%	45%	39%	14%	14%

Source: Company data, CMBIGM estimates

Figure 2: P&L forecast

(RMB mn)	FY23	1H24E	2H24E	FY24E	FY25E	FY26E
Revenue	129,957	74,302	107,227	181,168	207,378	236,855
... YoY	21.2%	32.3%	45.3%	39.4%	14.5%	14.2%
Cost of sales	(119,523)	(68,283)	(97,966)	(165,888)	(188,479)	(214,038)
Gross profit	10,434	6,019	9,261	15,280	18,898	22,816
GPM (%)	8.0%	8.1%	8.6%	8.4%	9.1%	9.6%
... YoY	64.3%	36.5%	53.7%	46.4%	23.7%	20.7%
SG&A	(2,007)	(1,167)	(1,458)	(2,625)	(3,028)	(3,671)
...% of rev	2%	2%	1%	1%	1%	2%
R&D	(4,722)	(3,180)	(3,753)	(6,933)	(7,880)	(9,237)
...% of rev	4%	4%	4%	4%	4%	4%
Operating profit	3,705	1,672	4,050	5,723	7,990	9,908
OPM (%)	3%	2%	4%	3%	4%	4%
... YoY	506%	63%	51%	54%	40%	24%
Net profit	4,041	1,869	3,514	5,383	7,330	8,993
NPM (%)	3.1%	2.5%	3.3%	3.0%	3.5%	3.8%
... YoY	118%	23%	39%	33%	36%	23%

Source: Company data, CMBIGM estimates

Valuation

Maintain BUY with TP of HK\$45.15

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

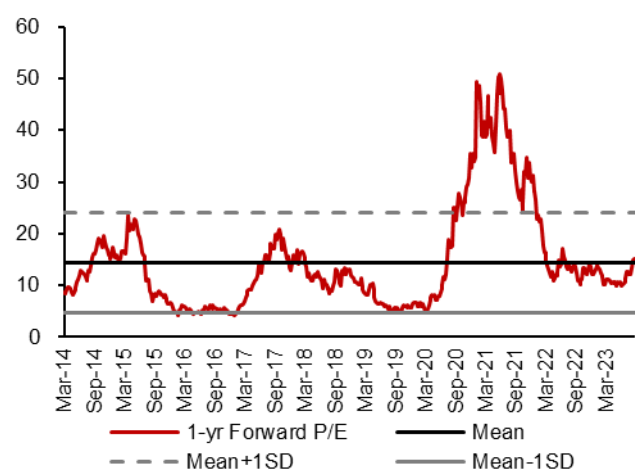
Our TP of HK\$45.15 is based on a weighted-average target P/E multiple of 17.2x FY24E PE. We assign 15x P/E to its assembly EMS business and 15x P/E for component business, in line with TW/HK-listed peers, given Android business margin recovery and Apple business expansion. We assign 20x for new intelligent and NEV segments to reflect their growth potential and higher earnings visibility.

Figure 3: BYDE – SOTP valuation

Business segment	% of FY24E Profit	FY24E EPS (RMB)	Target P/E
Assembly	14%	0.35	15x
Components	16%	0.38	15x
Jabil Components	26%	0.62	15x
Masks	0%	0	8x
New Intelligent	23%	0.54	20x
Auto intelligent	21%	0.51	20x
Total (RMB) /Implied P/E		2.46	17.2x
TP (HK\$)			45.15

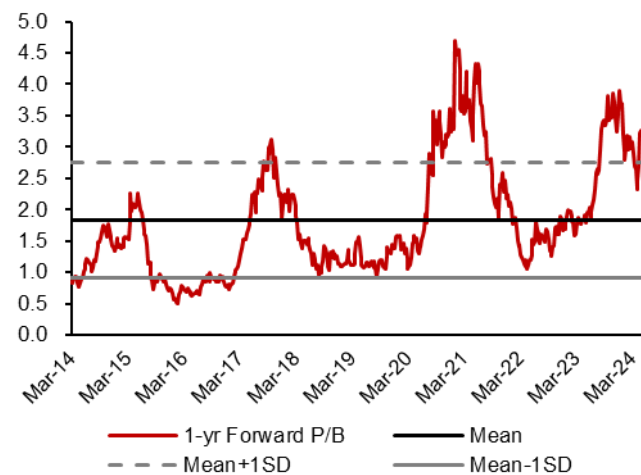
Sources: Company data, CMBIGM estimates

Figure 4: 12M forward P/E band



Source: Bloomberg, CMBIGM estimates

Figure 5: 12M forward P/B band



Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	89,057	107,186	129,957	181,168	207,378	236,855
Cost of goods sold	(83,028)	(100,836)	(119,523)	(165,888)	(188,479)	(214,038)
Gross profit	6,029	6,350	10,434	15,280	18,898	22,816
Selling expense	(275)	(535)	(720)	(987)	(1,161)	(1,540)
Admin expense	(1,041)	(1,235)	(1,288)	(1,638)	(1,866)	(2,132)
R&D expense	(3,308)	(3,969)	(4,722)	(6,933)	(7,880)	(9,237)
Operating profit	1,405	611	3,705	5,723	7,990	9,908
Other income/expense	1,104	1,386	1,165	1,346	1,346	1,346
Pre-tax profit	2,465	1,939	4,681	6,187	8,455	10,372
Income tax	(155)	(81)	(640)	(804)	(1,124)	(1,379)
Minority interest	0	0	0	0	0	0
Net profit	2,310	1,858	4,041	5,383	7,330	8,993
Adjusted net profit	2,310	1,858	4,041	5,383	7,330	8,993

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	27,630	40,488	54,607	37,777	54,524	48,261
Cash & equivalents	2,825	6,244	10,537	(893)	(435)	(2,694)
Account receivables	9,240	10,471	23,011	13,222	28,253	19,118
Inventories	10,567	17,046	18,541	22,930	24,189	29,320
ST bank deposits	0	0	0	0	0	0
Other current assets	4,998	6,727	2,517	2,517	2,517	2,517
Non-current assets	12,314	15,006	29,647	41,522	45,314	49,529
PP&E	11,182	12,941	19,709	19,167	23,339	27,975
Deferred income tax	201	481	620	620	620	620
Other non-current assets	931	1,583	9,318	21,735	21,355	20,934
Total assets	41,175	56,994	87,219	83,451	104,370	102,743
Current liabilities	16,220	30,143	54,751	61,315	77,102	69,179
Short-term borrowings	0	0	0	0	0	0
Account payables	11,724	22,002	29,939	21,103	36,890	28,968
Tax payable	184	363	607	607	607	607
Other current liabilities	4,312	7,777	24,204	39,604	39,604	39,604
Non-current liabilities	928	1,216	3,138	3,138	3,138	3,138
Deferred income	150	231	290	290	290	290
Other non-current liabilities	404	395	1,206	1,206	1,206	1,206
Total liabilities	17,148	31,359	57,888	64,452	80,239	72,317
Share capital	4,052	4,052	4,052	4,052	4,052	4,052
Other reserves	19,975	21,583	25,278	14,947	20,078	26,374
Total shareholders equity	24,027	25,635	29,330	18,999	24,131	30,426
Minority interest	0	0	0	0	0	0
Total equity and liabilities	41,175	56,994	87,219	83,451	104,370	102,743

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,465	1,939	4,681	6,187	8,455	10,372
Depreciation & amortization	1,717	1,987	2,315	2,771	3,294	3,891
Change in working capital	(2,228)	2,568	(6,098)	(3,436)	(503)	(3,918)
Others	(187)	(124)	(346)	77	(243)	(498)
Net cash from operations	1,768	6,370	552	5,600	11,003	9,847
Investing						
Capital expenditure	(3,206)	(3,859)	(4,678)	(6,522)	(7,466)	(8,527)
Others	0	0	0	(13,605)	0	0
Net cash from investing	(3,206)	(3,859)	(4,678)	(20,127)	(7,466)	(8,527)
Financing						
Dividend paid	(232)	(372)	(1,212)	(1,615)	(2,199)	(2,697)
Others	(43)	(59)	(189)	14,518	(882)	(882)
Net cash from financing	(275)	(430)	(1,401)	12,904	(3,080)	(3,579)
Net change in cash						
Cash at the beginning of the year	3,466	2,825	6,258	731	(893)	(435)
Exchange difference	1,072	1,352	0	0	0	0
Cash at the end of the year	2,825	6,258	731	(893)	(435)	(2,694)
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	21.8%	20.4%	21.2%	39.4%	14.5%	14.2%
Gross profit	(37.4%)	5.3%	64.3%	46.4%	23.7%	20.7%
Operating profit	(75.8%)	(56.5%)	506.5%	54.5%	39.6%	24.0%
Net profit	(57.5%)	(19.6%)	117.6%	33.2%	36.2%	22.7%
Adj. net profit	(57.5%)	(19.6%)	117.6%	33.2%	36.2%	22.7%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	6.8%	5.9%	8.0%	8.4%	9.1%	9.6%
Operating margin	1.6%	0.6%	2.9%	3.2%	3.9%	4.2%
Adj. net profit margin	2.6%	1.7%	3.1%	3.0%	3.5%	3.8%
Return on equity (ROE)	10.0%	7.5%	14.7%	22.3%	34.0%	33.0%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
Current ratio (x)	1.7	1.3	1.0	0.6	0.7	0.7
Receivable turnover days	48.4	33.6	33.5	36.5	36.5	36.5
Inventory turnover days	38.4	50.0	50.0	45.6	45.6	45.6
Payable turnover days	43.7	61.0	60.8	56.2	56.2	56.2
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	35.4	44.0	20.2	15.2	11.2	9.1
P/B	3.4	3.2	2.8	4.3	3.4	2.7
Div yield (%)	0.3	0.5	1.5	2.0	2.7	3.3
EV	24,027.1	25,635.1	29,330.4	18,999.0	24,130.5	30,425.8
EV/Sales	0.3	0.2	0.2	0.1	0.1	0.1

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

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