

Technology

Apple FY2Q24 better-than-feared on China and iPhone; Expect return to growth in next quarter

Apple posted FY2Q24 (CY1Q24) revenue of US\$90.8bn (-4% YoY) and EPS of US\$1.53 (+1% YoY), slightly above market expectations, mainly due to better-than-feared iPhone and resilient Service, despite weak China market (-8% YoY) and high base in CY1Q23 caused by iPhone supply constraints. For FY3Q24E, mgmt. shared upbeat guidance: 1) overall revenue to grow in “low-single digits”, 2) iPad and Services to grow at double digits, 3) acceleration in iPhone sales in Greater China, 4) significant investments in generative AI with advantages in integrated hardware and software, in-house chips, and privacy/security as priority, 5) announced US\$110bn stock buyback plan (4% of market capital). Despite iPhone’s near-term challenges in China, we believe the sector will react positively to Apple’s upbeat guidance, and we expect iPhone shipment to return to positive growth with Gen-AI features in CY25E. For stocks, Apple’s beneficiaries include AAC Tech, FIT Hon Teng, BYDE, Luxshare, Goertek, Sunny Optical and Cowell.

- FY2Q24 better-than-feared on China and iPhone sales.** By segment, iPhone/iPad/Wearables declined 10%/17%/10% YoY, while Services stayed solid with 14% YoY growth. iPad continued its decline due to a lack of upgrade in last year, and Mac sales benefited from the new MacBook Air models powered by M3 chips. Services business was a bright spot with growth accelerated to 14% YoY (vs. +11% in CY4Q23). China region sales declined 8% YoY, above market expectations of -10% YoY, and US and Europe markets remained resilient with -1%/+1% growth in the quarter.
- Upbeat guidance: “low-single digit” revenue growth, iPad/Services with double digits growth, accelerated iPhone sales in China.** Mgmt. guided FY3Q24 revenue to return to positive growth at “low-single digits”, above expectations. By segment, iPad and Services will grow at double digits, and mgmt. guided an acceleration in iPhone sales in Greater China. As for AI investments, mgmt. stated that Apple is making significant investments in generative AI and the company has advantages over its AI peers in terms of integrated hardware and software, in-house chips, and privacy/security as priority. We expect Apple to discuss more details on gen-AI developments during WWDC 2024 on 10-14 Jun.
- Expect tech sector to react positively; Prefer share gainers with earnings recovery.** Despite near-term challenges in China and limited spec upgrade in iPhone 16 in CY24E, we believe the sector will react positively to Apple’s upbeat guidance and better iPhone outlook in China’s market. For stocks, Apple’s beneficiaries include AAC Tech (acoustics/haptics), FIT Hon Teng (AirPods order wins), BYDE (iPad OEM/iPhone casing), Luxshare (OEM share gains), Goertek (acoustics/haptics), Sunny Optical (lens share gain) and Cowell (camera module).

Valuation Table

Name	Ticker	Rating	Mkt Cap (USD mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY24E	P/E (x) FY25E	P/B (x) FY24E	P/B (x) FY24E	ROE
Luxshare	002475 CH	BUY	28,946	29.20	46.6	60%	15.1	12.2	2.5	16.4	
BYDE	285 HK	BUY	7,811	27.10	45.2	67%	10.2	7.5	2.9	28.4	
FIT Hon Teng	6088 HK	BUY	2,061	2.21	2.4	10%	10.1	7.9	0.8	7.4	
Goertek	002241 CH	BUY	7,456	15.80	17.6	11%	22.6	20.8	1.6	7.0	
Sunny Optical	2382 HK	HOLD	5,595	39.95	47.3	18%	28.9	21.3	1.7	5.7	
AAC Tech	2018 HK	HOLD	3,871	25.25	22.4	-11%	19.7	15.8	1.1	5.8	
Cowell	1415 HK	NR	1,958	17.94	NA	NA	19.1	11.0	3.8	21.9	

Source: Company data, CMBIGM estimates

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Focus Charts

Figure 1: Apple's FY2Q24 (CY1Q24) results review

Apple Inc (AAPL US) US\$ bn	Actual			Consensus	
	FY2Q24	FY3Q23	YoY %	FY2Q24	Diff (%)
Revenue	90.8	94.8	-4%	90.3	0%
EPS (cent US\$)	1.53	1.52	1%	1.50	2%
GPM	46.6%	44.3%	5%	46.61%	0 ppt
Product	66.9	73.9	-10%	67.0	0%
iPhone	46.0	51.3	-10%	45.8	0%
iPad	5.6	6.7	-17%	5.9	-6%
Mac	7.5	7.2	4%	6.8	10%
Wearables, Home and Accessories	7.9	8.8	-10%	8.3	-5%
Services	23.9	20.9	14%	23.3	3%

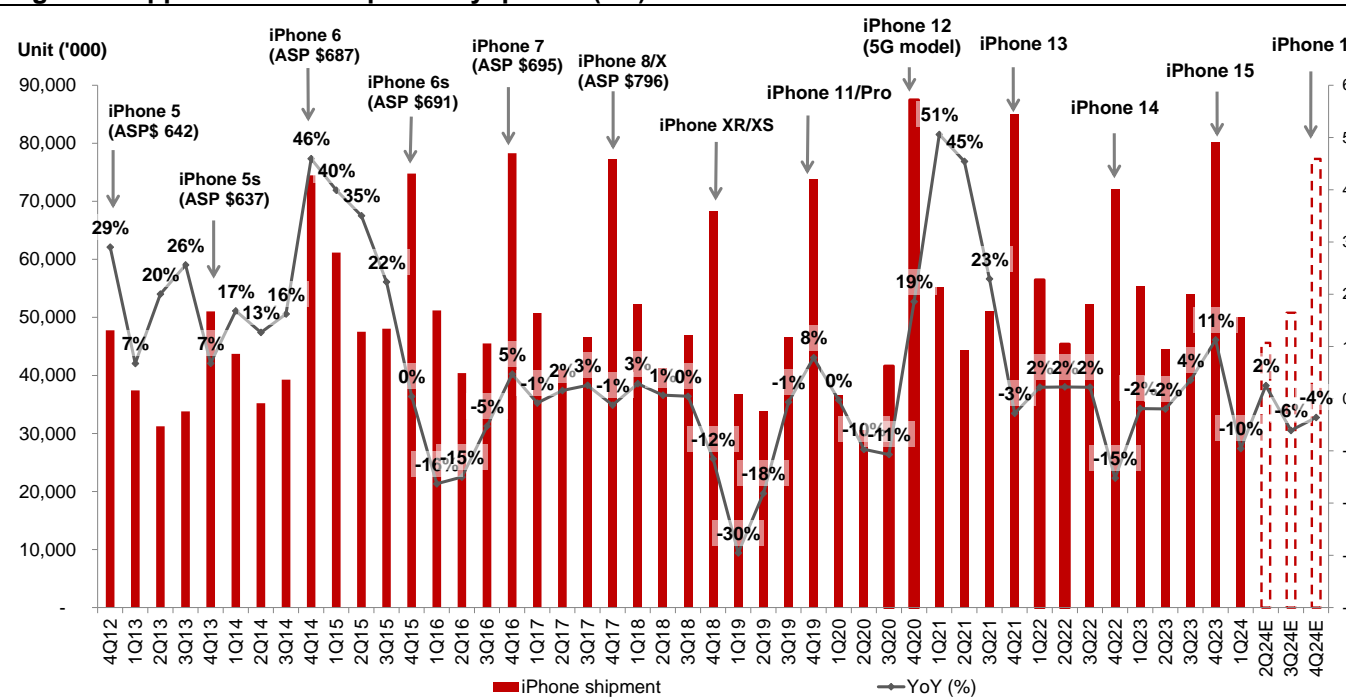
Source: Bloomberg, company data, CMBIGM

Figure 2: Supply chain mapping and sales mix exposure (2023)

Company	Ticker	Apple	Huawei	Samsung	Other CN brands	Others	Major products
AAC Tech	2018 HK	45%	5%	25%	20%	5%	Acoustics, haptics, optics, casing
FIT Hon Teng	6088 HK	40%	3%	-	-	57%	Connectors, wireless charging, accessories
Sunny Optical	2382 HK	2%	5%	15%	63%	15%	Camera modules, handset lens sets, auto lens/modules
BYDE	285 HK	40%	5%	10%	30%	15%	Metal/glass/plastics casing, ODM/OEM, automobile
Tongda	698 HK	20%	5%	10%	35%	25%	Metal/plastic casing, waterproof materials
Q-Tech	1478 HK	-	5%	-	85%	15%	Camera modules/lenses, fingerprint modules, auto camera modules
TK Group	2283 HK	10%	-	-	-	90%	Plastic molding, plastic precision
Truly	732 HK	-	-	3%	62%	35%	Camera modules, fingerprint, display modules
Cowell	1415 HK	90%	-	5%	-	5%	Camera modules
Luxshare	002475 CN	60%	10%	3%	-	27%	Wireless, iPhone/AirPods/Watch OEM, acoustics/haptics
Goertek	002241 CN	45%	5%	10%	15%	25%	Acoustics, AirPods, Watch, AR/VR, Wearables

Source: Company data, CMBIGM estimates

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



Source: Company data, IDC, CMBIGM

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 (%)	
							FY23E	FY25E	FY23E	FY25E	FY23E	FY25E
Brand												
Apple	AAPL US	NR	2,614,310	169.30	NA	NA	25.9	23.8	35.9	33.6	149.5	156.8
Xiaomi	1810 HK	BUY	56,306	17.64	20.2	14%	22.6	22.0	2.2	2.1	9.8	9.4
Transsion	688036 CH	NR	16,040	144.00	NA	NA	18.4	15.5	5.0	4.1	28.4	28.0
Samsung	005930 KS	NR	338,438	78,000.00	NA	NA	15.3	11.2	1.4	1.3	9.1	11.4
Average							20.5	18.1	11.1	10.2	49.2	51.4
Optics												
Sunny Optical	2382 HK	HOLD	5,595	39.95	47.3	18%	28.9	21.3	1.7	1.6	5.7	7.4
Q Tech	1478 HK	BUY	542	3.58	3.9	10%	9.7	7.3	0.7	0.7	7.6	9.4
Cowell	1415 HK	NR	1,958	17.94	NA	NA	19.1	11.0	3.8	2.8	21.9	28.4
Truly	732 HK	NR	356	0.88	NA	NA	-	-	-	-	-	-
Largan	3008 TT	NR	8,909	2,170.00	NA	NA	13.2	12.8	1.6	1.5	12.5	12.3
Genius	3406 TT	NR	1,517	437.50	NA	NA	13.7	13.0	2.1	1.9	15.8	15.7
O-Film	002456 CH	NR	3,959	8.80	NA	NA	41.3	28.4	6.2	5.3	12.3	14.6
Lg Innotek	011070 KS	NR	3,845	223,500.00	NA	NA	7.5	6.7	1.0	0.9	13.9	13.8
Partron	091700 KS	NR	352	8,210.00	NA	NA	10.5	9.3	0.9	0.9	9.2	9.6
Average							17.98	13.73	2.26	1.94	12.35	13.91
Acoustics/Haptics												
AAC Tech	2018 HK	HOLD	3,871	25.25	22.4	-11%	19.7	15.8	1.1	1.1	5.8	6.9
Goertek	002241 CH	BUY	7,456	15.80	17.6	11%	22.6	20.8	1.6	1.5	7.0	7.1
Luxshare	002475 CH	BUY	28,946	29.20	46.6	60%	15.1	12.2	2.5	2.1	16.4	16.9
Knowles	KN US	NR	1,418	15.80	NA	NA	14.2	12.4	-	-	-	-
Nidec	6594 JP	NR	27,847	7,254.00	NA	NA	29.0	22.6	2.8	2.5	10.1	11.4
Average							20.10	16.76	1.99	1.78	9.83	10.57
Connector												
FIT Hon Teng	6088 HK	BUY	2,061	2.21	2.4	10%	10.1	7.9	0.8	0.7	7.4	8.8
Luxshare	002475 CH	BUY	28,946	29.20	46.6	60%	15.1	12.2	2.5	2.1	16.4	16.9
TE	TEL US	NR	42,704	139.45	NA	NA	18.6	16.8	3.4	3.2	18.9	19.7
Amphenol	APH US	NR	71,628	119.26	NA	NA	34.8	31.0	7.5	6.4	24.0	24.0
Average							19.61	16.97	3.52	3.09	16.69	17.34
EMS/OEM												
BYDE	285 HK	BUY	7,811	27.10	45.2	67%	10.2	7.5	2.9	2.3	28.4	30.3
Luxshare	002475 CH	BUY	28,946	29.20	46.6	60%	15.1	12.2	2.5	2.1	16.4	16.9
Hon Hai Precision	2317 TT	NR	65,673	154.00	NA	NA	13.5	11.5	1.3	1.2	9.5	10.4
Pegatron	4938 TT	NR	7,901	96.40	NA	NA	15.1	13.1	1.3	1.2	8.5	9.3
Wistron	3231 TT	NR	10,214	114.50	NA	NA	17.4	13.3	2.7	2.4	16.1	18.6
Average							28.98	20.90	6.61	5.02	13.58	19.86
Casing												
BYDE	285 HK	BUY	7,811	27.10	45.2	67%	10.2	7.5	2.9	2.3	28.4	30.3
Fil	601138 CH	NR	67,209	24.50	NA	NA	18.5	15.4	3.1	2.7	16.8	17.5
Tongda	698 HK	BUY	102	0.08	0.1	71%	3.6	2.8	0.1	0.1	3.1	3.8
TK Group	2283 HK	BUY	178	1.67	2.8	67%	4.9	4.2	0.8	0.7	15.3	16.3
Lens Tech	300433 CH	NR	9,848	14.31	NA	NA	18.2	14.8	1.5	1.4	8.2	9.4
Ju Teng	3336 HK	NR	160	1.04	NA	NA	-	-	-	-	-	-
Everwin	300115 CH	NR	1,761	10.59	NA	NA	18.9	14.6	2.0	1.8	10.2	12.0
Average							12.38	9.89	1.71	1.49	13.66	14.89

Source: Bloomberg, CMBIGM estimates, *TP under review

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