

BYDE (285 HK)

Strong 3Q23 in-line; Android upside and auto accelerated growth

BYDE's 9M23 NP growth of 146% YoY is in-line with profit alert earlier driven by Android recovery and fast-growing new intelligent/NEV business. Looking into 4Q, mgmt. guided steady Android recovery on Huawei comeback and auto QoQ growth driven by mass production of cockpit products. In addition, we remain positive on Android's upside, Jabil's integration with capacity expansion and rapid growth of auto in 2024. We believe recent stock correction is overdone given concerns on slower 4Q23 guidance. We think 4Q23 sales/net profit to grow 4/49% YoY which is normalised given high base in 4Q22. Overall, we remain positive on Android's upside and rapid growth in NEV biz. The stock now trades at 17.3x/13.8x FY23/24E P/E, which is attractive in our view. Reiterate BUY.

■ **3Q23 in-line; Improving GPM on better product mix and rising UTR.** BYDE's 9M23 NP growth of 146% YoY is in-line with its profit alert, mainly on strong Android recovery and fast-growing new intelligent/NEV business. 3Q23 revenue was up 31%/21% YoY/QoQ, driven by 20-30%+ YoY growth in consumer/new intelligent/auto segments. GPM improved 1.7ppts QoQ to 9.7% given rising sales of high-margin segments (e.g. energy storage, NEV) and improving UTR given high-end Android order wins.

■ **4Q23E outlook: Android's steady recovery and strong auto QoQ growth.** Looking into 4Q, mgmt. expects flattish QoQ revenue due to seasonality while overall business is recovering given Huawei's comeback and auto QoQ growth backed by mass production of cockpit products including thermal management and high-end holders. In addition, mgmt. expected automotive biz will maintain stable GPM of 10-20% driven by higher margin mechanical products vs. electronic systems.

■ **2024: Android upside, Jabil's expansion and auto high growth.** Looking into FY24E, mgmt. is positive on easing ASP hike on Android titanium adoption and expected steady recovery of Android assembly given high order visibility in 2024. In addition, Jabil's mobility business acquisition is on track and capacity ramp up driven by high customer demand. We remain positive on share gain across Apple's product categories (e.g. iPhone, iPad, Watch). Despite near-term slowdown in energy storage biz in Europe, mgmt. expects auto rapid growth in FY24E, driven by parentco orders, cockpit and intelligent driving products mass production.

■ **Correction overdone; Reiterate BUY.** We are positive on Huawei's comeback, Jabil's acquisition and NEV/new intelligent upside. The stock now trades at 17.3x/13.8x FY23/24E P/E, which is attractive in our view. Reiterate BUY with new TP of HK\$44.23.

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	3,968.1	4,971.1	6,493.3
YoY growth (%)	(57.5)	(19.6)	113.6	25.3	30.6
EPS (Reported) (RMB)	1.03	0.82	1.76	2.21	2.88
Consensus EPS (RMB)	na	0.00	1.59	2.10	2.74
P/E (x)	32.2	22.1	17.3	13.8	10.6
P/B (x)	3.1	1.6	2.3	2.0	1.7
Yield (%)	0.3	0.9	0.3	0.7	0.9
ROE (%)	10.0	7.5	14.4	15.6	17.6
Net gearing (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$44.23
(Previous TP)	HK\$45.30
Up/Downside	35.7%
Current Price	HK\$32.60

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Stock Data

Mkt Cap (HK\$ mn)	73,454.5
Avg 3 mths t/o (HK\$ mn)	221.6
52w High/Low (HK\$)	39.95/20.20
Total Issued Shares (mn)	2253.2

Source: FactSet

Shareholding Structure

Golden Link Worldwide Ltd	65.8%
Gold Dragonfly Ltd	5.0%

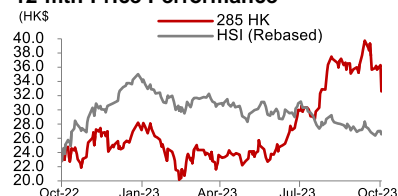
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-8.7%	-5.0%
3-mth	9.0%	27.9%
6-mth	37.8%	60.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

3Q23 results review

Figure 1: 3Q23 results review

RMB mn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	YoY	QoQ
Revenue	20,933	22,761	27,462	36,030	26,375	29,805	35,964	31%	21%
Gross profit	1,145	1,184	1,796	2,226	2,030	2,379	3,494	95%	47%
Net profit	180	454	603	621	459	1057	1528	153%	45%
EPS (RMB)	0.08	0.20	0.27	0.27	0.20	0.47	0.68	152%	43%
Gross margin	5.5%	5.2%	6.5%	6.2%	7.7%	8.0%	9.7%	3.2 ppt	1.7 ppt
Net margin	0.9%	2.0%	2.2%	1.7%	1.7%	3.5%	4.2%	2.1 ppt	0.7 ppt
Revenue (YoY)	5.2%	-7.6%	28.3%	55.8%	26.0%	30.9%	31.0%		
Gross profit (YoY)	-10.7%	-33.5%	16.4%	56.2%	77.4%	101.0%	94.5%		
Net profit (YoY)	-77.7%	-45.7%	17.4%	305.5%	154.9%	132.9%	153.4%		

Source: Company data, Bloomberg, CMBIGM estimates

Earnings revision

Figure 2: Earnings revision

RMB mn	New			Old			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	129,576	151,936	179,241	129,576	151,936	179,241	0.0%	0.0%	0.0%
Gross Profit	10,455	12,782	16,010	10,477	12,819	16,062	-0.2%	-0.3%	-0.3%
Operating Profit	3,185	4,502	6,241	3,281	4,538	6,293	-2.9%	-0.8%	-0.8%
Net profit	3,968	4,971	6,493	4,055	5,089	6,651	-2.1%	-2.3%	-2.4%
EPS (RMB)	1.76	2.21	2.88	1.80	2.26	2.95	-2.1%	-2.3%	-2.4%
Gross Margin	8.1%	8.4%	8.9%	8.1%	8.4%	9.0%	0 ppt	0 ppt	0 ppt
Operating Margin	2.5%	3.0%	3.5%	2.5%	3.0%	3.5%	-0.1 ppt	0 ppt	0 ppt
Net Margin	3.1%	3.3%	3.6%	3.1%	3.3%	3.7%	-0.1 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	129,576	151,936	179,241	129,758	159,399	183,786	-0.1%	-4.7%	-2.5%
Gross Profit	10,455	12,782	16,010	9,850	13,241	16,255	6.1%	-3.5%	-1.5%
Operating Profit	3,185	4,502	6,241	3,209	4,806	6,559	-0.8%	-6.3%	-4.8%
Net profit	3,968	4,971	6,493	3,510	4,721	6,207	13.0%	5.3%	4.6%
EPS (RMB)	1.76	2.21	2.88	1.59	2.10	2.74	11.1%	5.3%	5.4%
Gross Margin	8.1%	8.4%	8.9%	7.6%	8.3%	8.8%	0.5 ppt	0.1 ppt	0.1 ppt
Operating Margin	2.5%	3.0%	3.5%	2.5%	3.0%	3.6%	0 ppt	-0.1 ppt	-0.1 ppt
Net Margin	3.1%	3.3%	3.6%	2.7%	3.0%	3.4%	0.4 ppt	0.3 ppt	0.2 ppt

Source: Company data, CMBIGM estimates

Figure 4: 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	2,681	3,217
... YoY	54%	50.0%	30.0%	34%	30%	20%
Household energy storage	1,500	555	2,220	2,775	3,885	5,439
... YoY				85%	40%	40%
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

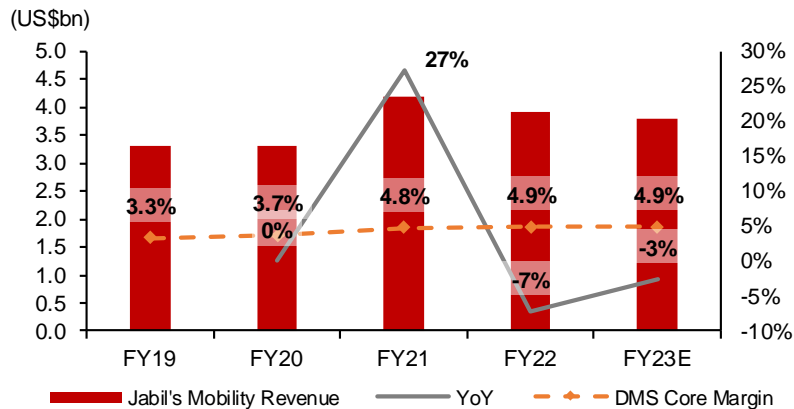
Figure 5: P&L forecast

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)	(67,350)	(119,121)	(139,154)	(163,231)
Gross profit	6,350	4,409	6,046	10,455	12,782	16,010
GPM (%)	5.9%	7.8%	8.2%	8.1%	8.4%	8.9%
... YoY	5.3%	89.4%	50.3%	64.6%	22.3%	25.3%
SG&A	(1,770)	(921)	(1,028)	(1,948)	(2,279)	(2,689)
... % of rev	2%	2%	1%	2%	2%	2%
R&D	(3,969)	(2,459)	(2,862)	(5,321)	(6,001)	(7,080)
... % of rev	4%	4%	4%	4%	4%	4%
Operating profit	611	1,029	2,156	3,185	4,502	6,241
OPM (%)	1%	2%	3%	2%	3%	3%
... YoY	-57%	2326%	279%	421%	41%	39%
Net profit	1,858	1,516	2,452	3,968	4,971	6,493
NPM (%)	1.7%	2.7%	3.3%	3.1%	3.3%	3.6%
... YoY	-20%	139%	100%	114%	25%	31%

Source: Company data, CMBIGM estimates

Overview of Jabil's Mobility segment

Figure 6: Jabil's Mobility segment revenue in FY19-23E



Source: Jabil's announcement, Bloomberg

Figure 7: 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 with new TP of HK\$44.23

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\$44.23 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 8: BYDE – SOTP valuation

Business segment	% of FY24E Profit	FY24E EPS (RMB)	Target P/E
Assembly	16%	0.36	15x
Components	19%	0.42	15x
Masks	0%	0.00	8x
New Intelligent	30%	0.66	20x
Auto intelligent	35%	0.77	20x
Others	0%	0.0	10x
Total (RMB) /Implied P/E		2.21	18.2x
TP (HK\$)			44.23

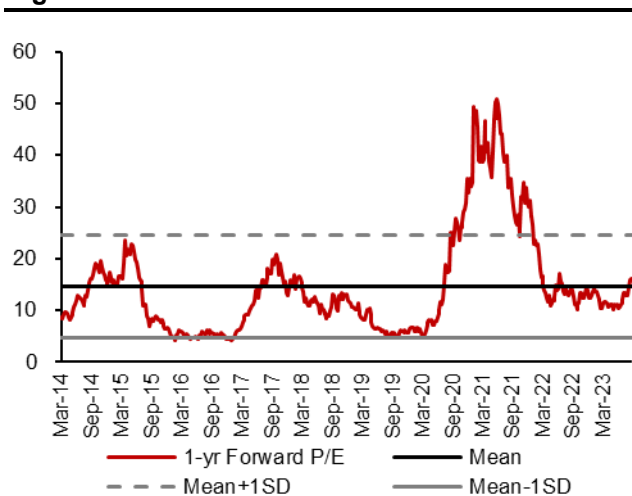
Sources: Company data, CMBIGM estimates

Figure 9: 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	9,387	32.60	44.2	36%	17.3	13.8	2.3	2.0	14.4	15.6
Tongda	698 HK	Buy	136	0.11	0.17	56%	6.1	3.8	0.1	0.1	2.3	3.5
AAC Tech	2018 HK	Hold	2,157	14.08	14.0	0%	24.8	14.2	0.7	0.7	2.7	4.6
TK Group	2283 HK	Buy	144	1.35	3.1	129%	4.8	-	0.6	-	13.3	17.0
Ju Teng	3336 HK	NR	172	1.12	NA	NA	-	-	-	-	-	-
Everwin	300115 CH	NR	1,910	11.61	NA	NA	32.0	15.5	2.3	2.0	7.1	13.2
Lens Tech	300433 CH	NR	8,895	13.06	NA	NA	20.8	15.8	1.4	1.3	6.8	8.5
Foxconn	2354 TT	NR	2,288	52.40	NA	NA	12.1	9.7	0.5	0.5	5.8	7.0
Catcher	2474 TT	NR	3,811	181.50	NA	NA	12.4	16.1	0.8	0.8	6.0	4.3
Average							16.3	12.7	1.1	1.0	7.3	9.2

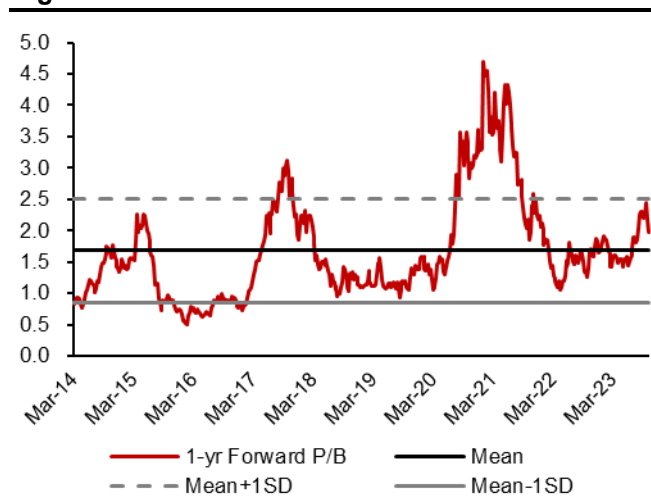
Source: Bloomberg, CMBIGM estimates

Figure 10: 12M forward P/E band



Source: Bloomberg, CMBIGM estimates

Figure 11: 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)	(119,121)	(139,154)	(163,231)
Gross profit	9,629	6,029	6,350	10,455	12,782	16,010
Selling expense	(237)	(275)	(535)	(657)	(760)	(896)
Admin expense	(673)	(1,041)	(1,235)	(1,291)	(1,519)	(1,792)
R&D expense	(2,913)	(3,308)	(3,969)	(5,321)	(6,001)	(7,080)
Operating profit	5,806	1,405	611	3,185	4,502	6,241
Other income/expense	487	1,104	1,386	1,272	1,272	1,272
Pre-tax profit	6,221	2,465	1,939	4,365	5,681	7,421
Income tax	(779)	(155)	(81)	(397)	(710)	(928)
Minority interest	0	0	0	0	0	0
Net profit	5,441	2,310	1,858	3,968	4,971	6,493
Adjusted net profit	5,441	2,310	1,858	3,968	4,971	6,493

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	26,069	27,630	40,488	37,624	46,732	49,273
Cash & equivalents	3,466	2,825	6,244	2,003	3,723	2,172
Account receivables	14,391	9,240	10,471	13,304	17,083	18,765
Inventories	6,891	10,567	17,046	15,590	19,199	21,609
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	56,593	68,473	74,319
Current liabilities	14,840	16,220	30,143	25,845	33,252	33,254
Short-term borrowings	0	0	0	0	0	0
Account payables	8,146	11,724	22,002	17,705	25,112	25,113
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	27,062	34,469	34,470
Share capital	4,052	4,052	4,052	4,052	4,052	4,052
Other reserves	18,220	19,975	21,583	25,479	29,953	35,797
Total shareholders equity	22,272	24,027	25,635	29,531	34,005	39,849
Minority interest	0	0	0	0	0	0
Total equity and liabilities	37,976	41,175	56,994	56,593	68,473	74,319

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	6,221	2,465	1,939	4,365	5,681	7,421
Depreciation & amortization	1,760	1,717	1,987	2,314	2,697	3,148
Change in working capital	(4,745)	(2,228)	2,568	(5,673)	19	(4,091)
Others	(27)	(187)	(124)	(304)	(618)	(835)
Net cash from operations	3,209	1,768	6,370	701	7,779	5,644
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)	(198)	(497)	(649)
Others	1,730	(43)	(59)	(93)	(93)	(93)
Net cash from financing	1,570	(275)	(430)	(291)	(590)	(742)
Net change in cash						
Cash at the beginning of the year	1,651	3,466	2,825	6,258	2,003	3,723
Exchange difference	16	1,072	1,352	0	0	0
Cash at the end of the year	3,466	2,825	6,258	2,003	3,723	2,172

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

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