

China Technology

OUTPERFORM
(Maintain)

2Q23 global smartphone shipment decline narrowed; Apple/OPPO/Transsion gained share

2Q23 global smartphone shipment posted 7.8% YoY decline, which narrowed from -14.6%/-18.3% YoY in 1Q23/4Q22, based on IDC. Despite shipment weakness in 1H23, inventory level started to normalise in 2Q23, and we expect supply chain restocking will lead to positive YoY growth in 4Q23E. In particular, China market outperformed in 2Q23 with -2.1% YoY (vs. -12.1%/-12.8% YoY in 1Q23/ 4Q22). By brand, Apple/OPPO/Transsion gained share globally in 2Q23, and Apple/OPPO/Huawei outperformed peers in China market. Overall, we are positive on narrowing decline trend, and expect recovery to continue into 3Q23E driven by channel restocking and product launches. We believe market will react positively and sector sentiment on smartphone names will improve into 3Q23E. We maintain BUY on BYDE, FIT Hon Teng, Luxshare and Q-tech for improving 2H23E outlook, and HOLD on Sunny Optical/AAC Tech due to fair valuation.

- **2Q23 global smartphone shipment declined 7.8% YoY; China market outperformed with -2.1% YoY.** IDC reported 2Q23 global smartphone shipment declined 7.8% YoY, due to soft demand, inventory digestion and macro uncertainties. China market outperformed with -2.1% YoY in 2Q23, vs -5.9%/-19.1%/-3.1% APAC (ex. JP/CN)/ US/ EMEA. Looking into 2H23, we believe global shipment will continue to improve QoQ, but China market will see more challenges in the near term evidenced by soft consumer sentiment during 618 shopping festival (-6.5% YoY).
- **Huawei shipment jumped in China, Transsion became global Top 5 for the first time.** In 2Q23, Huawei shipment climbed 76.1% YoY in China, with market share of 13%, in par with Xiaomi. The return of Huawei was mainly due to better product launches and strong sales of P60 series and foldable Mate X3 models. Huawei and Apple were the only brands with positive YoY growth among Top 5 in China, mainly driven by discount promotion of Apple's iPhone 14 series. Globally, Transsion entered global Top 5 for the first time (+34% YoY) backed by strong presence in Africa/South Asia and rapid expansion in LATAM.
- **Positive on continued recovery driven by channel restocking and product launches in 2H23E.** Backed by healthier inventory level and narrowing decline trend, we believe market will react positively and sector sentiment on smartphone names will improve into 3Q23E. We maintain BUY on BYDE, FIT Hon Teng, Q-tech and Luxshare for improving 2H23 outlook, and HOLD on Sunny Optical/AAC Tech mainly due to fair valuation.

Valuation Table

Name	Ticker	Rating	Mkt Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY23E FY24E	P/B (x) FY23E FY24E
BYDE	285 HK	BUY	8,634	29.90	31.7	6%	18.2 14.9	2.1 1.9
Luxshare	002475 CH	BUY	32,250	32.32	48.0	49%	21.4 17.4	2.3 2.0
FIT Hon Teng	6088 HK	BUY	1,271	1.36	2.2	60%	8.5 6.9	0.5 0.5
BOEVx	710 HK	BUY	1,199	11.82	23.7	101%	12.5 9.7	1.0 0.8
Q-Tech	1478 HK	BUY	518	3.41	3.6	5%	10.2 6.5	0.7 0.7
Sunny Optical	2382 HK	HOLD	10,620	75.55	78.3	4%	25.6 22.2	3.1 2.8
AAC Tech	2018 HK	HOLD	2,731	17.78	15.6	-12%	16.3 14.6	0.8 0.8

Source: Company data, CMBIGM estimates

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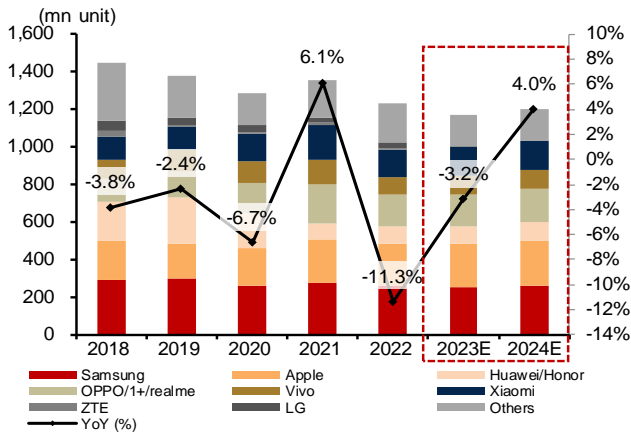
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Figure 1: Global smartphone shipment forecast



Source: IDC, CMBIGM estimates

Figure 2: 2Q23 global smartphone shipment

(mn unit)	2Q23 Shipment	2Q23 Mkt Shr	2Q22 Shipment	2Q22 Mkt Shr	YoY
Samsung	53.5	20.2%	63.1	21.9%	-15.2%
Apple	42.5	16.0%	45.4	15.8%	-6.3%
Xiaomi	33.2	12.5%	39.5	13.8%	-16.0%
OPPO	25.4	9.6%	27.4	9.5%	-7.6%
Transsion	25.3	9.5%	18.8	6.5%	34.1%
Others	85.4	32.2%	93.3	32.4%	-8.4%
Total	265.3	100.0%	287.6	100.0%	-7.8%

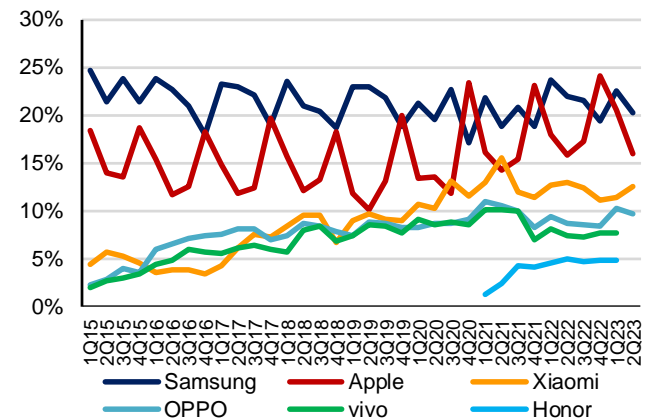
Source: IDC, CMBIGM estimates

Figure 3: 2Q23 China smartphone shipment

(mn unit)	2Q23 Shipment	2Q23 Mkt Shr	2Q22 Shipment	2Q22 Mkt Shr	YoY
OPPO	11.6	17.7%	11.8	17.7%	-2.1%
vivo	11.3	17.2%	12.9	19.2%	-11.9%
Honor	10.8	16.4%	13.1	19.5%	-17.9%
Apple	10.1	15.3%	9.5	14.1%	6.1%
Xiaomi	8.6	13.1%	10.5	15.6%	-17.5%
Huawei	8.5	13.0%	4.8	7.3%	76.1%
Others	4.8	7.3%	4.5	6.8%	5.6%
Total	65.7	100.0%	67.1	100.0%	-2.1%

Source: IDC, CMBIGM estimates

Figure 1: Global smartphone market share trend



Source: IDC, CMBIGM

Figure 5: Supply chain mapping and sales mix exposure (2023E)

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%	Connector, wireless charging, accessories, audio
Sunny Optical	2382 HK	2%	5%	15%	63%	15%	Camera module, handset lens sets, auto lens/module
BYDE	285 HK	40%	5%	10%	20%	25%	Metal/glass/plastics casing, ODM/OEM, auto component
Tongda	698 HK	20%	5%	10%	35%	25%	Metal/plastic casing, waterproof
Q-Tech	1478 HK		5%		85%	15%	Cam module/lens, fingerprint modules, auto cam module
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 Module
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

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