

BOE Varitronix (710 HK)

Corp Day Takeaways: promising outlook in automotive display

We hosted an investor call with BOE Varitronix during our Technology Corporate Day. While Shanghai lockdown impacted automobile demand, mgmt. was optimistic about sales recovery thanks to lockdown easing and favorable policy. As the global leader in automotive display market, BOE Varitronix benefits from the multi-display adoption and increasing display size, and it is on track to become global No.1 in FY22E (vs. No.2 in FY21). Mgmt. maintained positive 2022 guidance backed by 1) domestic high-end NEV market expansion; 2) Europe & America stronger sales growth; and 3) increasing ASP of auto display products.

- Rising ASP and profitability improvement in FY23E.** FY21 revenue reached HK\$7,738mn, up 77% YoY, and net profit was HK\$327.8mn, up 378% YoY, thanks to better product mix and strong shipment backed by order wins in the past two years. Mgmt. expected auto display ASP to increase on larger screen size and more complex functions on cockpit screen. Mgmt expected NPM in FY22E to maintain at 2H21 level at 5%, and profitability will further improve in FY23E driven by centralized production and capacity increase in Chengdu production base.
- Rapid capacity expansion in Chengdu new plant.** Chengdu production base started construction in Jan 2022, and will enter Phase I mass production in the beginning of 2023. Mgmt. expected early production and testing to begin in 4Q22E to ensure smooth production in FY23E. Annual capacity will reach 14.4mn pieces, and demand will mainly come from new orders and ODM orders from parent company. In addition, mgmt. believed display module order shifted from parent company will boost economies of scale and enhance better profitability.
- High-end NEV display market share gain to continue.** The company's global market share in domestic high-end NEV increased to 41% in FY21 from 36% in FY20. Mgmt. expected share gain to continue backed by: 1) rising adoption of high-end display technologies, such as OLED, BD cell, curved-surface and AR-HUD; 2) more project wins from domestic and foreign high-end traditional and NEV auto customers; and 3) development of system-type product.

Earnings Summary

(YE 31 Dec)	FY17	FY18	FY19	FY20	FY21
Revenue (HKD mn)	2,879	3,177	3,574	4,527	7,737
YoY growth (%)	28.0	10.3	12.8	26.6	70.7
Net income (HKD mn)	22	17	25	69	328
EPS (HKD)	0.0	0.0	0.0	0.1	0.5
YoY growth (%)	-62.5	-33.3	50.0	200.0	400.0
Consensus EPS (HKD)	NA	NA	NA	NA	NA
P/E (x)	55.0	83.6	133.2	80.7	50.7
P/B (x)	1.4	0.6	0.7	0.8	2.7
Yield (%)	0.1	0.1	0.1	0.4	1.3
ROE (%)	0.8	0.6	0.9	2.5	11.4
Net gearing (%)	-11.1	-22.5	-27.5	-20.4	-2.1

Source: Company data, Bloomberg, Wind, CMBIGM estimates

NOT RATED

Current Price

HK\$11.12

China Technology Sector

Alex Ng

(852) 3900 0881

alexng@cmbi.com.hk

Lily Yang, Ph.D

(852) 3916 3716

lilyyang@cmbi.com.hk

Hanqing Li

lihanqing@cmbi.com.hk



Stock Data

Mkt. Cap. (HK\$mn)	8,191
Avg. 3mths t/o (HK\$mn)	19.11
52W High/Low (HK\$)	12.80/ 4.16
Total Issued Shares (mn)	737

Source: Bloomberg

Shareholding Structure

Chun Shun Ko	6.86%
Dimensional Fund Advisors	1.11%
Fullgoal Fund Mgmt.	0.60%

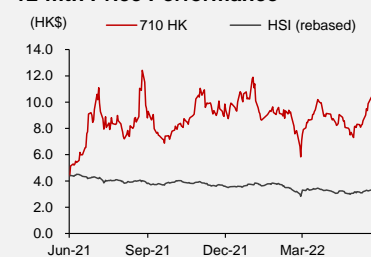
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	52.3%	NA
3-mth	57.1%	NA
6-mth	12.9%	NA

Source: Bloomberg

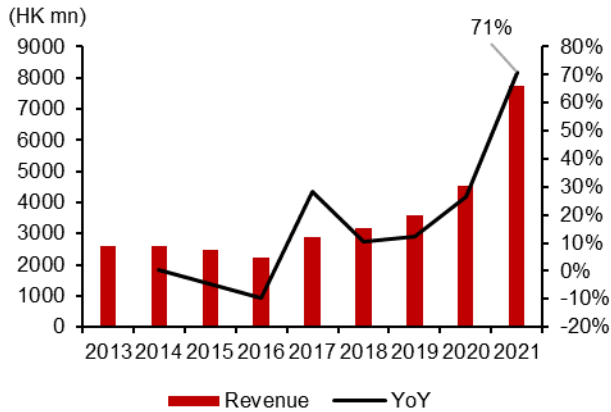
12-mth Price Performance



Source: Bloomberg

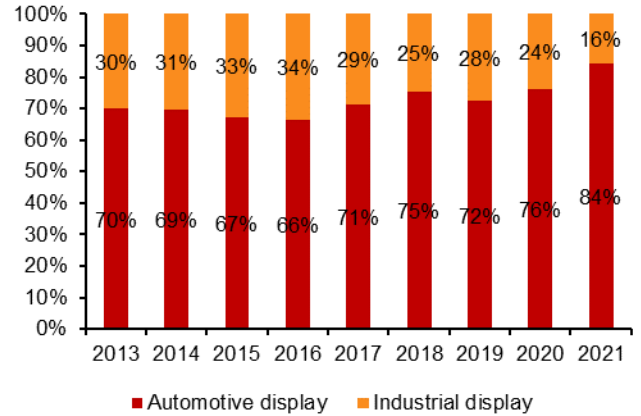
Focus Charts

Figure 1: 2013-2021 Revenue & YoY



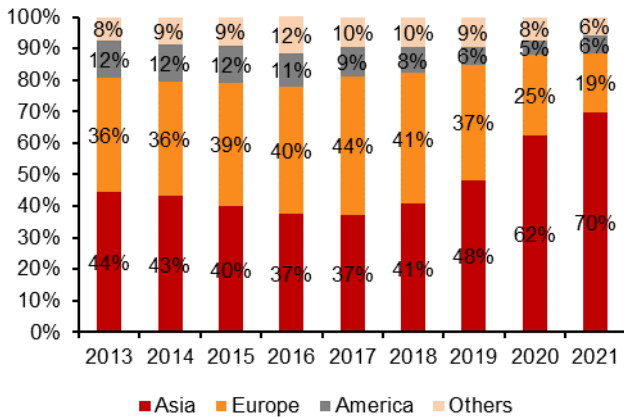
Source: Company data, CMBIGM estimates

Figure 2: 2013-2021 Revenue by business segment



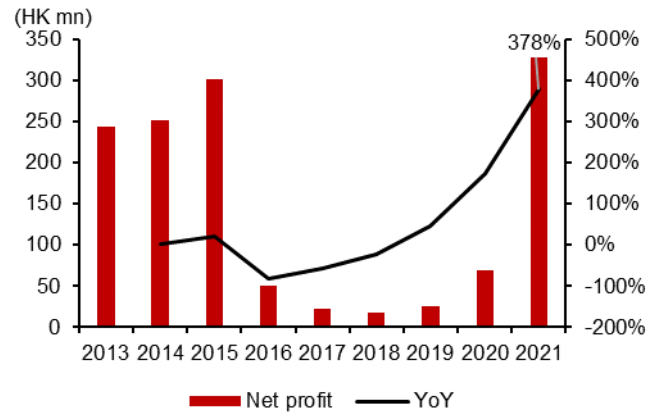
Source: Company data, CMBIGM estimates

Figure 3: 2013-2021 Revenue by region



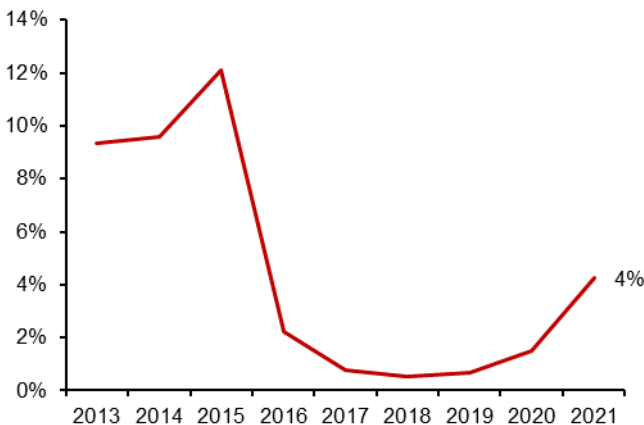
Source: Company data, CMBIGM estimates

Figure 4: 2013-2021 Net profit & YoY



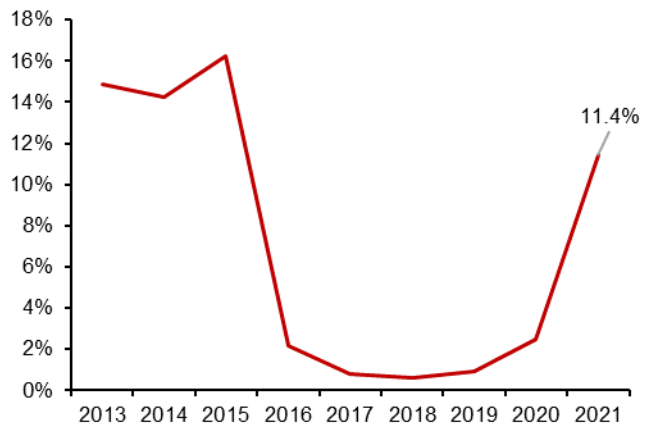
Source: Company data, CMBIGM estimates

Figure 5: 2013-2021 Net profit margin



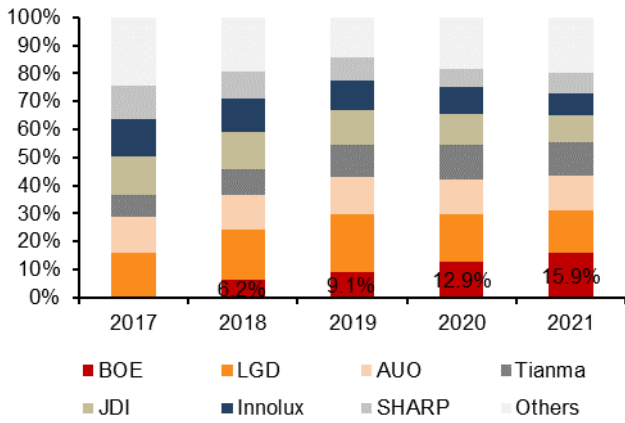
Source: Company data, CMBIGM estimates

Figure 6: 2013-2021 ROE



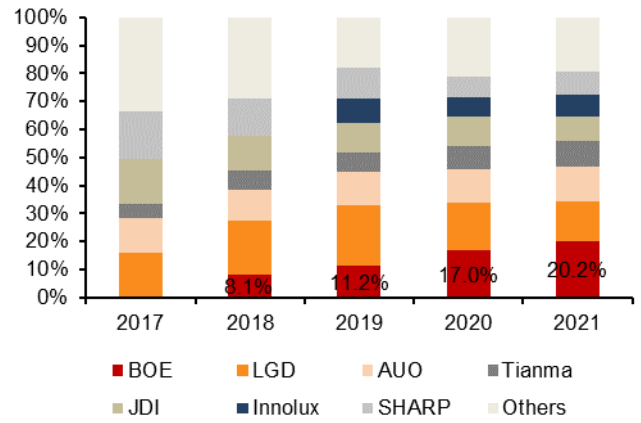
Source: Company data, CMBIGM estimates

Figure 7: Shares by automotive display shipment area



Source: Company data, CMBIGM estimates

Figure 8: Shares by large & medium-area auto display shipment



Source: Company data, CMBIGM estimates

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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