

BYDE (285 HK)

Corp Day Takeaways: 4Q recovery to continue; New growth drivers to accelerate in 2023

We hosted an investor call with BYDE during our Corporate Day on 29 Nov. Mgmt. guided 4Q revenue to grow QoQ backed by strong demand from Apple's products, automobile and new smart products, while 4Q GPM will improve QoQ on better product mix and improving utilization (Android capacity converted into auto biz). Looking into 2023, despite muted outlook on Android business, major growth drivers will come from 1) Apple share gain in OEM/components (ipad/iphone/watch), 2) automobile segment expansion and 3) residential energy storage. While we are positive on BYDE's outlook in FY23-24E, the stock now trades at 16.3x FY23E P/E, which is fair in our view. Maintain HOLD with TP of HK\$20.39.

- Apple share gain and category expansion to continue.** Mgmt. stated that Apple becomes BYDE's largest customer in FY22E driven by continued share gain in OEM/components and expansion into new product categories (e.g. iPad, watch, iPhone). Looking ahead, mgmt. expected rising share allocation and overseas capacity expansion for Apple's OEM/components will become major growth drivers in 2023E.
- Auto product expansion on track; NEV to boost growth in FY23E.** Mgmt. believes that BYDE is well-positioned to capture NEV business opportunities, leveraging their services with Tier-1 suppliers, its OEM market leadership (SMT&PCBA capabilities) and cooperation with parentco. BYDE's expansion into intelligent cockpit, smart network and autonomous driving are on track for mass production in 2023E: 1) ADAS, auto parking and interior/exterior visual elements are already under mass production; 2) wireless charging will enter mass production in 2023E; 3) thermal management system and chassis suspension mass production will follow. Mgmt. guided robust revenue growth in FY23E and faster volume growth than parentco thanks to NEV ramp-up.
- New smart segment to accelerate growth.** Residential energy storage accelerated growth in 1H22 and mgmt. expects HoH improvement in 2H22E driven by strong demand for household energy storage amid energy shortage in Europe. In addition, mgmt. expects limited impact from China policy on e-cigarette given their major focus on overseas customers.
- Valuation/Key risks.** We maintain our positive view on revenue growth and margin recovery in 2023E driven by business transition, continuous share gain in Apple OEM/components and NEV/smart segment expansion. However, we think current valuation of 16.3x FY23E P/E is fair (vs 5-year hist. avg. of 15.5x forward P/E) given recent industry headwinds.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	73,121	89,057	96,507	108,377	125,189
YoY growth (%)	37.9	21.8	8.4	12.3	15.5
Net profit (RMB mn)	5,441.4	2,309.9	1,711.0	2,814.7	4,072.4
YoY growth (%)	240.6	(57.5)	(25.9)	64.5	44.7
EPS (Reported) (RMB)	2.41	1.03	0.76	1.25	1.81
Consensus EPS (RMB)	na	na	0.82	1.35	1.83
P/E (x)	8.4	19.9	26.8	16.3	11.3
P/B (x)	2.2	3.1	2.0	1.8	1.6
Yield (%)	1.1	0.3	0.3	0.6	0.8
ROE (%)	27.7	10.0	6.9	10.5	13.6
Net gearing (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price **HK\$20.39**
 (Previous TP) HK\$20.39
Up/Downside **(16.9%)**
Current Price **HK\$24.55**

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Stock Data

Mkt Cap (HK\$ mn)	55,316.2
Avg 3 mths t/o (HK\$ mn)	21.7
52w High/Low (HK\$)	31.85/13.60
Total Issued Shares (mn)	2253.2

Source: FactSet

Shareholding Structure

Golden Link Worldwide Ltd	65.8%
Gold Dragonfly Ltd	5.0%

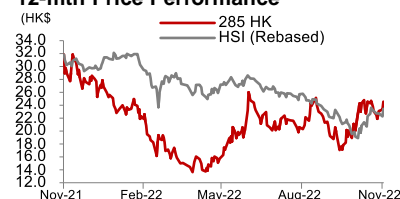
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	22.1%	-0.3%
3-mth	20.9%	33.0%
6-mth	53.2%	77.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Revenue breakdown

RMB mn	FY20	FY21	1H22	2H22E	FY22E	FY23E	FY24E
Assembly	31,152	55,977	26,443	27,500	53,000	54,000	55,000
...YoY	16%	80%	-13%	8%	-5%	2%	2%
Component (metal/glass/plastic)	17,576	15,655	6,708	8,691	15,399	15,006	14,959
...YoY	-5%	-11%	-6%	2%	-2%	-3%	0%
Metal	10,996	8,087	4,253	3,051	7,304	6,208	5,277
Plastic	4,566	3,789	1,132	2,089	3,221	2,803	2,383
Glass/ceramic	3,000	5,700	1,725	3,405	5,130	6,388	7,346
Masks	13,100	1,210	389	219	608	144	58
...YoY		-91%	-40%	-61%	-50%	-76%	-60%
New intelligent	9,476	12,445	6,917	11,890	18,807	24,449	33,006
...YoY	57%	31%	38%	60%	51%	30%	35%
E-cigarette	1,000	1,000	300	1,240	1,540	2,310	3,465
		0%	50%	55%	54%	50%	50%
Auto intelligent	1,817	3,770	3,237	5,456	8,693	14,778	22,167
...YoY	14%	107%	151%	120%	131%	70%	50%
Total	73,121	89,057	43,694	53,756	96,507	108,377	125,189
...YoY	38%	22%	-2%	21%	8%	12%	16%

Source: Company data, CMBIGM estimates

Figure 2: P&L forecast

RMB mn	FY20	FY21	1H22	2H22E	FY22E	FY23E	FY24E
Revenue	73,121	89,057	43,694	53,756	96,507	108,377	125,189
...YoY	37.9%	21.8%	-1.9%	20.7%	8.4%	12.3%	15.5%
Cost of sales	(63,492)	(83,028)	(41,365)	(50,257)	(90,680)	(100,684)	(115,210)
Gross profit	9,629	6,029	2,328	3,499	5,827	7,693	9,979
GPM (%)	13.2%	6.8%	5.3%	6.5%	6.0%	7.1%	8.0%
...YoY	143.3%	-37.4%	-23.9%	17.9%	-3.4%	32.0%	29.7%
SG&A	(910)	(1,316)	(771)	(833)	(1,604)	(1,626)	(1,878)
...% of rev	1%	1%	2%	2%	2%	2%	2%
R&D	(2,913)	(3,308)	(1,515)	(1,881)	(3,396)	(3,902)	(4,507)
...% of rev	4%	4%	3%	4%	4%	4%	4%
Operating profit	5,806	1,405	42	784	827	2,166	3,595
OPM (%)	8%	2%	0%	1%	1%	2%	3%
...YoY	484%	-76%	-96%	116%	-41%	162%	66%
Net profit	5,441	2,310	634	1,077	1,711	2,815	4,072
NPM (%)	7.4%	2.6%	1.5%	2.0%	1.8%	2.6%	3.3%
...YoY	241%	-58%	-61%	62%	-26%	65%	45%

Source: Company data, CMBIGM estimates

Valuation

Maintain HOLD with TP HK\$20.39

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

Our TP is based on weighted-average target P/E multiple of 13.6x FY23E EPS. We assign 10x P/E to its assembly EMS business and 10x P/E for component/e-cigarette business, in-line with TW/HK-listed peers. We assign 8x for mask business to reflect its near-term growth potential amid COVID-19 outbreak.

Figure 3: BYDE – SOTP valuation

Business segment	% of FY23E Profit	FY23E EPS (RMB)	Target P/E
Assembly	9%	0.11	10x
Components	20%	0.24	10x
Masks	0.2%	0.00	8x
Others (smart, auto)	71%	0.89	15x
Total (RMB) /Implied P/E		1.25	13.6x
TP (HK\$)			20.39

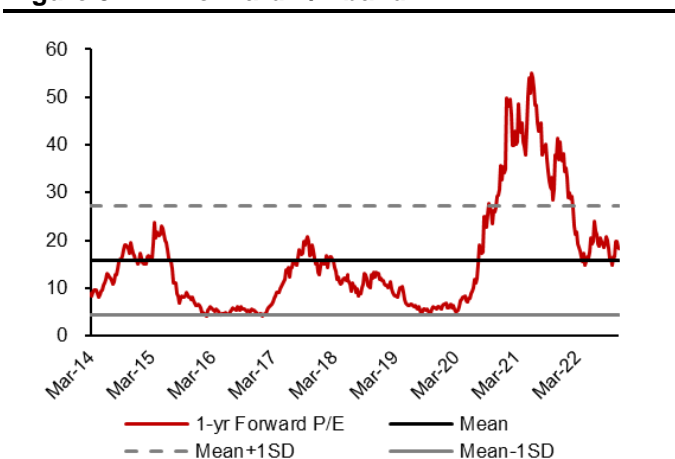
Sources: Company data, CMBIGM estimates

Figure 4: Peers' valuation

Company	Ticker	Rating	Market Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
BYDE	285 HK	HOLD	7,082	24.55	20.4	-17%	26.8	16.3	2.0	1.8	6.9	10.5
Tongda	698 HK	BUY	162	0.13	0.22	69%	4.3	3.3	0.1	0.1	2.3	3.0
AAC Tech	2018 HK	HOLD	2,758	17.88	15.4	-14%	24.3	15.0	0.9	0.8	3.5	5.6
TK Group	2283 HK	BUY	175	1.64	3.4	106%	4.0	3.2	0.7	0.7	18.6	20.7
Ju Teng	3336 HK	NR	198	1.29	NA	NA	-	-	-	-	-	-
Everwin	300115 CH	NR	1,971	11.75	NA	NA	121.1	19.4	2.8	2.4	1.7	4.6
Lens Tech	300433 CH	NR	7,301	10.51	NA	NA	23.7	14.6	1.2	1.1	4.2	7.9
Foxconn	2354 TT	NR	2,292	50.10	NA	NA	12.2	11.4	0.5	0.5	5.3	5.7
Catcher	2474 TT	NR	4,183	181.00	NA	NA	11.1	17.3	0.8	0.9	7.6	4.9
Average							28.9	12.7	1.1	1.0	6.2	7.8

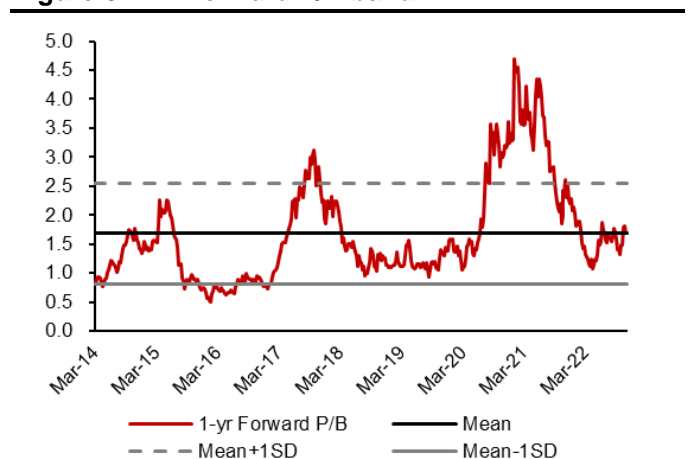
Source: Bloomberg, CMBIGM estimates

Figure 5: 12M forward P/E band



Source: Bloomberg, CMBIGM estimates

Figure 6: 12M forward P/B band



Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Revenue	53,028	73,121	89,057	96,507	108,377	125,189
Cost of goods sold	(49,071)	(63,492)	(83,028)	(90,680)	(100,684)	(115,210)
Gross profit	3,957	9,629	6,029	5,827	7,693	9,979
Selling expense	(257)	(237)	(275)	(391)	(434)	(501)
Admin expense	(619)	(673)	(1,041)	(1,213)	(1,192)	(1,377)
R&D expense	(2,088)	(2,913)	(3,308)	(3,396)	(3,902)	(4,507)
Operating profit	994	5,806	1,405	827	2,166	3,595
Other income/expense	734	487	1,104	1,076	1,076	1,076
Pre-tax profit	1,696	6,221	2,465	1,860	3,199	4,628
Income tax	(99)	(779)	(155)	(149)	(384)	(555)
Minority interest	0	0	0	0	0	0
Net profit	1,598	5,441	2,310	1,711	2,815	4,072
Adjusted net profit	1,598	5,441	2,310	1,711	2,815	4,072
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	17,082	26,069	27,630	30,104	31,340	36,756
Cash & equivalents	1,651	3,466	2,825	2,651	1,566	2,195
Account receivables	9,567	14,391	9,240	14,886	12,208	19,090
Inventories	5,453	6,891	10,567	7,569	12,568	10,474
ST bank deposits	0	0	0	0	0	0
Other current assets	411	1,320	4,998	4,998	4,998	4,998
Non-current assets	9,950	10,825	12,314	13,702	15,243	17,062
PP&E	8,617	9,693	11,182	12,708	14,403	16,404
Deferred income tax	159	0	201	201	201	201
Other non-current assets	1,173	1,132	931	792	638	456
Total assets	27,032	36,894	39,944	43,806	46,582	53,818
Current liabilities	10,399	14,840	16,220	18,681	19,079	22,831
Short-term borrowings	0	0	0	0	0	0
Account payables	7,340	8,146	11,724	14,185	14,582	18,335
Tax payable	108	57	184	184	184	184
Other current liabilities	2,951	6,636	4,312	4,312	4,312	4,312
Non-current liabilities	639	864	928	928	928	928
Deferred income	122	147	150	150	150	150
Other non-current liabilities	18	313	404	404	404	404
Total liabilities	11,038	15,704	17,148	19,609	20,006	23,759
Share capital	4,052	4,052	4,052	4,052	4,052	4,052
Other reserves	12,937	18,220	19,975	21,515	24,048	27,713
Total shareholders equity	16,989	22,272	24,027	25,567	28,100	31,765
Minority interest	0	0	0	0	0	0
Total equity and liabilities	28,027	37,976	41,175	45,176	48,107	55,524

CASH FLOW	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,696	6,221	2,465	1,860	3,199	4,628
Depreciation & amortization	2,059	1,760	1,717	1,948	2,207	2,506
Change in working capital	(3,596)	(4,745)	(2,228)	(187)	(1,923)	(1,035)
Others	219	(27)	(187)	(105)	(341)	(512)
Net cash from operations	379	3,209	1,768	3,515	3,142	5,586
Investing						
Capital expenditure	(2,722)	(2,795)	(3,206)	(3,474)	(3,902)	(4,507)
Others	(131)	(186)	0	0	0	0
Net cash from investing	(2,852)	(2,981)	(3,206)	(3,474)	(3,902)	(4,507)
Financing						
Dividend paid	(439)	(160)	(231)	(171)	(281)	(407)
Others	(184)	1,730	(43)	(43)	(43)	(43)
Net cash from financing	(623)	1,570	(274)	(214)	(325)	(451)
Net change in cash						
Cash at the beginning of the year	4,741	1,651	3,466	2,825	2,651	1,566
Exchange difference	0	16	1,071	0	0	0
Cash at the end of the year	1,651	3,466	2,825	2,651	1,566	2,195
GROWTH	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Revenue	29.2%	37.9%	21.8%	8.4%	12.3%	15.5%
Gross profit	(5.1%)	143.3%	(37.4%)	(3.4%)	32.0%	29.7%
Operating profit	(45.4%)	484.3%	(75.8%)	(41.2%)	161.9%	66.0%
Net profit	(25.5%)	240.6%	(57.5%)	(25.9%)	64.5%	44.7%
Adj. net profit	(25.5%)	240.6%	(57.5%)	(25.9%)	64.5%	44.7%
PROFITABILITY	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Gross profit margin	7.5%	13.2%	6.8%	6.0%	7.1%	8.0%
Operating margin	1.9%	7.9%	1.6%	0.9%	2.0%	2.9%
Adj. net profit margin	3.0%	7.4%	2.6%	1.8%	2.6%	3.3%
Return on equity (ROE)	9.7%	27.7%	10.0%	6.9%	10.5%	13.6%
GEARING/LIQUIDITY/ACTIVITIES	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Net debt to equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
Current ratio (x)	1.6	1.8	1.7	1.6	1.6	1.6
Receivable turnover days	57.7	52.1	48.7	45.6	45.6	45.6
Inventory turnover days	38.0	40.6	38.4	36.5	36.5	36.5
Payable turnover days	56.6	52.1	52.1	52.1	52.1	52.1
VALUATION	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
P/E	14.5	9.1	32.2	29.8	18.1	12.5
P/B	1.4	2.2	3.1	2.0	1.8	1.6
Div yield (%)	0.7	1.1	0.3	0.3	0.6	0.8
EV	16,989.5	22,272.3	24,027.1	25,567.0	28,100.3	31,765.5
EV/Sales	0.3	0.3	0.3	0.3	0.3	0.3

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

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