

BYDE (285 HK)

Scenario analysis of Jabil biz suggested 5-10% earnings upside in FY24/25E; Reiterate BUY

Following BYDE's announcement to acquire Jabil's mobility business (iPhone casing) for RMB15.8bn (~US\$2.2bn), we conducted scenario analysis of the acquisition to BYDE's earnings, and our base case suggested 5%/10% upside to BYDE's net profit in FY24/25E, assuming 15%/18% iPhone casing share allocation and 3.4%/3.8% NPM in FY24/25E. In addition, we believe integration of Jabil's iPhone casing business will accelerate BYDE's share gain in Apple's multiple product categories. For 2H23E/24E, we remain positive on high-end Android recovery (e.g. Huawei), share gain in iPad OEM/components and rapid growth in household energy storage and NEV biz. The stock now trades at 21.8x/17.7x FY23/24E P/E, which is attractive. Reiterate BUY.

- **Acquisition of Jabil's Mobility biz is accretive to BYDE's profitability.** Based on financial information disclosed in announcement, Jabil mobility's NPM came in at 5.3%/3.4%/3.1% in FY21/22/9M23, which are well above 2.6%/1.7%/2.7% for BYDE's NPM in FY21/22/1H23. Looking ahead, we expect the acquisition of Jabil's mobility business will lead to significant synergies with BYDE's component product portfolio and drive share gain in iPhone supply chain across product categories (e.g. iPhone, iPad, Watch).
- **Scenario analysis: 5-10% earnings upside in FY24/25E in our base case.** Assuming 1) 15%/18% iPhone casing share allocation in FY24/25E, 2) 3.4%/3.8% NPM of Jabil's biz in FY24/25E and 3) interest expense for RMB15.4bn loan at 6% interest rate, our base case suggested 5%/10% upside to BYDE's net profit in FY24/25E, while our bull case scenario implied 10%/22% upside to BYDE's earnings in FY24/25E. We will reflect the impact into our model after deal close.
- **2H23E outlook: High-end Android recovery and iPad share gain.** We believe Huawei's comeback and Android HoH recovery will boost overall profitability in 2H23E. In addition, iPad share gain in OEM/components will lead to better product mix and revenue growth.
- **FY24E: Strong household energy storage and robust NEV with product expansion.** Backed by strong product portfolio, we expect solid demand from household energy storage and smart home products. For NEV, growth potential will come from smart cockpit and autonomous driving, backed by strong parentco order and product expansion (e.g. integrated parking, thermal mgmt., cockpit ADAS, active suspension system).
- **Reiterate BUY with TP of HK\$41.98.** We reiterate BUY for BYDE's positive outlook on high-end Android recovery, Apple share gain and NEV/new intelligent upside. The stock now trades at 21.8x/17.7x FY23/24E, which is attractive in our view. Our TP of HK\$41.98 is based on 18.4x FY24E P/E.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	89,057	107,186	123,327	141,246	156,988
YoY growth (%)	21.8	20.4	15.1	14.5	11.1
Net profit (RMB mn)	2,309.9	1,857.6	3,476.7	4,273.2	5,320.4
YoY growth (%)	(57.5)	(19.6)	87.2	22.9	24.5
EPS (Reported) (RMB)	1.03	0.82	1.54	1.90	2.36
Consensus EPS (RMB)	na	na	1.55	2.09	2.73
P/E (x)	32.2	22.1	21.8	17.7	14.2
P/B (x)	3.1	1.6	2.6	2.3	2.0
Yield (%)	0.3	0.9	0.2	0.6	0.7
ROE (%)	10.0	7.5	12.7	13.8	15.1

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$41.98
(Previous TP	HK\$41.98)
Up/Downside	16.6%
Current Price	HK\$36.00

China Technology

Alex NG

(852) 3900 0881

alexng@cmbi.com.hk

Hanqing LI

lihanqing@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	81,115.4
Avg 3 mths t/o (HK\$ mn)	214.5
52w High/Low (HK\$)	37.50/17.02
Total Issued Shares (mn)	2253.2

Source: FactSet

Shareholding Structure

Golden Link Worldwide Ltd	65.8%
Gold Dragonfly Ltd	5.0%

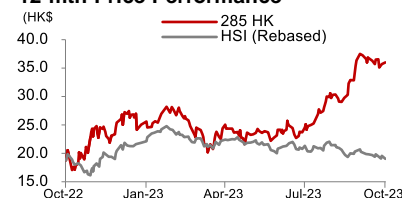
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-1.0%	7.7%
3-mth	46.6%	64.3%
6-mth	43.7%	69.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Analysis of BYDE's acquisition of Jabil's mobility business

Formal Agreement:

BYDE announced on 26 Sept to enter into formal agreement with Jabil to acquire 100% of Jabil's mobility business for RMB 15.8bn (~US\$2.2bn), which manufactures components for consumer electronics and mainly located in Chengdu and Wuxi.

Loan Agreement with Parentco (BYD Group):

BYD as lender agreed to provide loan to BYDE in the principal amount of RMB15.4bn (US\$2.1bn), at the interest rate based on SOFR plus 68bps (i.e. ~5.5%-6.0%). The loan is repayable by BYDE within one year, and BYDE intends to repay the loan by the cash inflow generated from operating activities or other fund-raising activities if needed.

Financial Information of Target Company (Jabil's mobility business):

Target company (Jabil's mobile business) reported revenue of US\$4.45bn/4.26bn/3.44bn and net profit of US\$237mn/143mn/107mn in FY21/22/9M23, which implied net profit margin of 5.3%/3.4%/3.1% (vs BYDE: 2.6%/1.7%/2.7% in FY21/22/1H23). It also implied acquisition valuation at 15.4x FY22 P/E (vs BYDE: 22.1x FY22 P/E)

Figure 1: Reported financials of Jabil's mobility business

(YE 31 Aug)	FY21	FY22	FY9M23
Revenue (USD mn)	4,451	4,260	3,437
Profit before tax (USD mn)	264	161	120
Net Profit (USD mn)	237	143	107
Pretax margin	5.9%	3.8%	3.5%
Net margin	5.3%	3.4%	3.1%

Source: Company announcement

Scenario Analysis of acquisition of Jabil's mobility biz to BYDE's earnings:

- In base case (15%/18% share allocation of iPhone casing; 3.4%/3.8% NPM in FY24/25E), it implies **5%/10% upside to BYDE's FY24/25E earnings**.
- In bull case (18%/22% share allocation of iPhone casing; 3.4%/4.5% NPM in FY24/25E), it implies **10%/22% upside to BYDE's FY24/25E earnings**.
- In bear case (15%/16% share allocation of iPhone casing; 3.2%/3.5% NPM in FY24/25E), it implies **3%/6% upside to BYDE's FY24/25E earnings**.

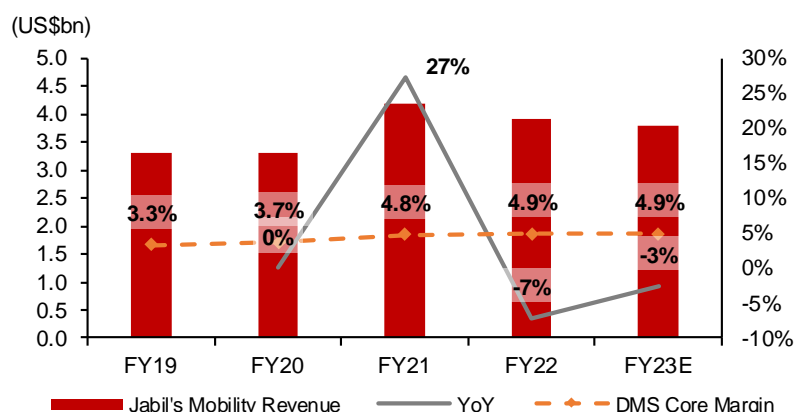
Figure 2: Scenario analysis of earnings impact to BYDE

RMB mn	Base case			Bull Case			Bear Case		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Assembly (Apple/Android)	73,137	78,750	82,000	73,137	78,750	82,000	73,137	78,750	82,000
Component (metal/glass/plastic)	13,661	43,626	49,707	13,661	49,674	57,771	13,661	43,626	45,675
... Apple components (Jabil's biz)	-	30,240	36,288	-	36,288	44,352	-	30,240	32,256
... iPhone casing shr allocation	0%	15%	18%	0%	18%	22%	0%	15%	16%
... Android components	13,661	13,386	13,419	13,661	13,386	13,419	13,661	13,386	13,419
New intelligent/ Auto intelligent	36,529	49,110	61,569	36,529	49,110	61,569	36,529	49,110	61,569
Total Revenue	123,327	171,486	193,276	123,327	177,534	201,340	123,327	171,486	189,244
...YoY		39%	13%		44%	13%		39%	10%
NP - Jabil's biz	-	1,028	1,379	-	1,234	1,996	-	968	1,129
... NPM (%)	0.0%	3.4%	3.8%	0.0%	3.4%	4.5%	0.0%	3.2%	3.5%
NP - BYDE's existing biz	3,477	4,273	5,320	3,477	4,273	5,320	3,477	4,273	5,320
... NPM (%)	2.8%	3.0%	3.4%	2.8%	5.2%	3.7%	2.8%	3.0%	3.4%
Total Net profit	3,477	4,479	5,877	3,477	4,685	6,494	3,477	4,419	5,627
... NPM (%)	2.8%	2.6%	3.0%	2.8%	2.6%	3.2%	2.8%	2.6%	3.0%
...YoY		29%	31%		35%	39%		27%	27%
Impact to Net Profit (%)	0%	5%	10%	0%	10%	22%	0%	3%	6%

Source: Company data, CMBIGM estimates

Overview of Jabil's Mobility segment

Figure 3: Jabil's Mobility segment revenue in FY19-23E



Source: Jabil's announcement, Bloomberg

Figure 4: 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. * 1800+ 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

Earnings forecasts

Figure 5: Revenue breakdown

RMB mn	FY22	1H23	2H23E	FY23E	FY24E	FY25E
Assembly	68,054	36,062	37,075	73,137	78,750	82,000
... YoY	22%	36.4%	-10.9%	7%	8%	4%
Component (metal/glass/plastic)	14,155	4,986	8,675	13,661	13,386	13,419
... YoY	-10%	-25.7%	16.5%	-3%	-2%	0%
Metal	7,304	3,104	3,104	6,208	5,277	4,486
Plastic	3,221	1,132	1,672	2,803	2,469	2,099
Glass/ceramic	5,130	2,472	3,916	6,388	5,915	6,802
New intelligent	15,207	8,999	9,948	18,947	22,736	27,284
... YoY	22%	30.1%	20.0%	25%	20%	20%
E-cigarette	1,540	450	1,612	2,062	2,887	3,464
... YoY	54%	50.0%	30.0%	34%	40%	20%
Household energy storage	1,500	555	2,400	2,955	5,024	7,535
... YoY	-	-	-	97%	70%	50%
Auto intelligent	9,263	6,133	11,449	17,582	26,374	34,286
... YoY	146%	89%	90%	90%	50%	30%
Total	107,186	56,180	67,147	123,327	141,246	156,988
... YoY	20%	28.6%	6%	15%	15%	11%

Source: Company data, CMBIGM estimates

Figure 6: P&L forecast

RMB mn	FY22	1H23	2H23E	FY23E	FY24E	FY25E
Revenue	107,186	56,180	67,147	123,327	141,246	156,988
... YoY	20.4%	28.6%	5.8%	15.1%	14.5%	11.1%
Cost of sales	(100,836)	(51,771)	(61,776)	(113,547)	(129,927)	(143,634)
Gross profit	6,350	4,409	5,371	9,780	11,320	13,354
GPM (%)	5.9%	7.8%	8.0%	7.9%	8.0%	8.5%
... YoY	5.3%	89.4%	33.5%	54.0%	15.7%	18.0%
SG&A	(1,770)	(921)	(1,021)	(1,942)	(2,331)	(2,590)
... % of rev	2%	2%	2%	2%	2%	2%
R&D	(3,969)	(2,459)	(2,686)	(5,145)	(5,367)	(5,966)
... % of rev	4%	4%	4%	4%	4%	4%
Operating profit	611	1,029	1,665	2,693	3,622	4,798
OPM (%)	1%	2%	2%	2%	3%	3%
... YoY	-57%	2326%	193%	341%	34%	32%
Net profit	1,858	1,516	1,961	3,477	4,273	5,320
NPM (%)	1.7%	2.7%	2.9%	2.8%	3.0%	3.4%
... YoY	-20%	139%	60%	87%	23%	25%

Source: Company data, CMBIGM estimates

Valuation

Maintain BUY with TP of HK\$41.98

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

Our TP of HK\$41.98 is based on weighted-average target P/E multiple of 18.4x 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 7: BYDE – SOTP valuation

Business segment	% of FY24E Profit	FY24E EPS (RMB)	Target P/E
Assembly	16%	0.31	15x
Components	16%	0.31	15x
Masks	0%	0.00	8x
New Intelligent	30%	0.57	20x
Auto intelligent	37%	0.71	20x
Others	0%	0.0	10x
Total (RMB) /Implied P/E		1.90	18.4x
TP (HK\$)			41.98

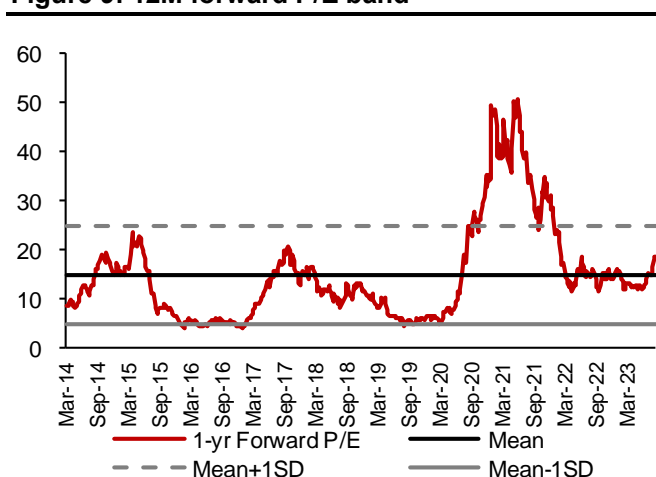
Sources: Company data, CMBIGM estimates

Figure 8: Peers' valuation

Company	Ticker	Rating	Market Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
BYDE	285 HK	BUY	10,357	36.00	42.0	17%	21.8	17.7	2.5	2.2	11.9	13.0
Tongda	698 HK	BUY	94	0.08	0.17	113%	4.2	2.6	0.1	0.1	2.3	6.5
AAC Tech	2018 HK	HOLD	2,023	13.22	14.0	6%	23.3	13.3	0.6	0.6	2.7	4.6
TK Group	2283 HK	BUY	145	1.36	3.1	127%	4.9	-	0.6	-	13.3	17.0
Ju Teng	3336 HK	NR	185	1.21	NA	NA	-	-	-	-	-	-
Everwin	300115 CH	NR	1,705	10.34	NA	NA	28.5	13.8	2.0	1.8	7.1	13.2
Lens Tech	300433 CH	NR	8,369	12.28	NA	NA	19.8	14.9	1.3	1.2	6.7	8.5
Foxconn	2354 TT	NR	2,510	57.40	NA	NA	13.2	106	0.5	0.5	5.8	7.0
Catcher	2474 TT	NR	3,860	183.5	NA	NA	12.4	16.2	0.8	0.8	6.1	4.4
Average							15.9	12.6	1.1	1.0	7.0	8.9

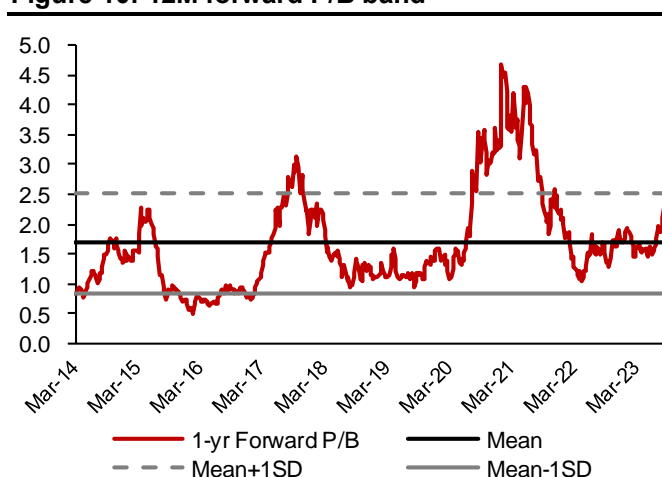
Source: Bloomberg, CMBIGM estimates

Figure 9: 12M forward P/E band



Source: Bloomberg, CMBIGM estimates

Figure 10: 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	123,327	141,246	156,988
Cost of goods sold	(63,492)	(83,028)	(100,836)	(113,547)	(129,927)	(143,634)
Gross profit	9,629	6,029	6,350	9,780	11,320	13,354
Selling expense	(237)	(275)	(535)	(639)	(706)	(785)
Admin expense	(673)	(1,041)	(1,235)	(1,302)	(1,624)	(1,805)
R&D expense	(2,913)	(3,308)	(3,969)	(5,145)	(5,367)	(5,966)
Operating profit	5,806	1,405	611	2,693	3,622	4,798
Other income/expense	487	1,104	1,386	1,272	1,272	1,272
Pre-tax profit	6,221	2,465	1,939	3,873	4,801	5,978
Income tax	(779)	(155)	(81)	(397)	(528)	(658)
Minority interest	0	0	0	0	0	0
Net profit	5,441	2,310	1,858	3,477	4,273	5,320
Adjusted net profit	5,441	2,310	1,858	3,477	4,273	5,320

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	26,069	27,630	40,488	35,508	45,207	43,327
Cash & equivalents	3,466	2,825	6,244	2,561	3,969	3,805
Account receivables	14,391	9,240	10,471	12,157	16,092	15,306
Inventories	6,891	10,567	17,046	14,062	18,419	17,489
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	17,054	19,264	21,629
PP&E	9,693	11,182	12,941	15,195	17,625	20,227
Deferred income tax	0	201	481	481	481	481
Other non-current assets	1,132	931	1,583	1,378	1,157	921
Total assets	37,976	41,175	56,994	54,268	66,397	67,120
Current liabilities	14,840	16,220	30,143	23,987	32,271	28,205
Short-term borrowings	0	0	0	0	0	0
Account payables	8,146	11,724	22,002	15,847	24,131	20,065
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	25,204	33,488	29,422
Share capital	4,052	4,052	4,052	4,052	4,052	4,052
Other reserves	18,220	19,975	21,583	25,012	28,858	33,646
Total shareholders equity	22,272	24,027	25,635	29,064	32,910	37,698
Minority interest	0	0	0	0	0	0
Total equity and liabilities	37,976	41,175	56,994	54,268	66,397	67,120

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	6,221	2,465	1,939	3,873	4,801	5,978
Depreciation & amortization	1,760	1,717	1,987	2,298	2,654	3,050
Change in working capital	(4,745)	(2,228)	2,568	(4,858)	(7)	(2,350)
Others	(27)	(187)	(124)	(304)	(436)	(565)
Net cash from operations	3,209	1,768	6,370	1,010	7,013	6,112
Investing						
Capital expenditure	(2,795)	(3,206)	(3,859)	(4,440)	(5,085)	(5,652)
Others	(186)	0	0	0	0	0
Net cash from investing	(2,981)	(3,206)	(3,859)	(4,440)	(5,085)	(5,652)
Financing						
Dividend paid	(160)	(232)	(372)	(174)	(427)	(532)
Others	1,730	(43)	(59)	(93)	(93)	(93)
Net cash from financing	1,570	(275)	(430)	(266)	(520)	(625)
Net change in cash						
Cash at the beginning of the year	1,651	3,466	2,825	6,258	2,561	3,969
Exchange difference	16	1,072	1,352	0	0	0
Cash at the end of the year	3,466	2,825	6,258	2,561	3,969	3,805

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

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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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