BYDE (285 HK)

3Q margin recovery a positive sign; Maintain HOLD on fair valuation

BYDE's 3Q22 revenue/net profit grew 28%/17% YoY, largely in-line with our estimates/consensus. 3Q GPM recovered to 6.5% (vs 5.2% in 2Q), driven by improving utilization and better product mix, which is a positive sign of margin recovery following COVID-19 impact and business transition. Looking ahead, mgmt. expect android weakness will lead to lower sales contribution of ~20% in FY23E (vs 35% in FY22E), and new growth drivers in FY23E will come from Apple share gain, NEV business and new smart products. We adjusted FY22-24E EPS by 5-14% to reflect 3Q22 results and better Apple/NEV revenue. The stock now trades at 17.0x FY23E P/E, which is fair in our view. Maintain HOLD with new TP of HK$20.39.

- **3Q22 largely in-line; GPM recovery on improved utilization and better product mix.** BYDE reported 9M22 revenue/net profit of +7.9%/-42.7% YoY, largely in-line with our estimates/consensus. For 3Q22, revenue/net profit grew 28%/17% YoY (vs -8%/-46% YoY in 2Q22), driven by Apple share gain, new smart products and new energy vehicle business, offsetting weaker Android business. GPM recovered to 6.5% in 3Q22 (vs 5.2% in 2Q22) due to improved capacity utilization and better product mix, which we regard as a positive sign of easing margin pressure under business transition. NPM rose from 2.0% in 2Q22 to 2.2% in 3Q22, mainly driven by rising sales contribution from Apple, new smart products and NEV segment.

- **FY23E outlook: Apple share gain, NEV and smart segments to drive growth.** Looking ahead, mgmt. expected android weakness to persist into 4Q22E/FY23E, leading to lower sales mix of 20% in FY23E (vs 35% in FY22E). By segment, FY23E growth drivers will come from 1) overseas client: share gain in new iPad model, overseas capacity ramp and cover glass in Zhongshan plant, 2) NEV products for parentco, such as smart cockpit, interior products and ADAS system, and 3) new smart products: ODM business from HBN, smart home, drones and residential energy storage business in European market.

- **Earnings recovery on track, but maintain HOLD on fair valuation.** We maintain positive view on BYDE's OEM market leadership, share gain in Apple OEM/components and accelerated expansion into NEV segment. However, we think current valuation of 17.0x FY23E P/E is fair (vs 5-year hist. avg. of 15.5x forward P/E, and peers' 11.7x FY23E P/E) given ongoing smartphone industry headwinds during business transition.

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)	9.1	32.2	27.9	17.0	11.7
P/B (x)	2.2	3.1	1.9	1.7	1.5
Yield (%)	1.1	0.3	0.4	0.6	0.9
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$19.28)
Up/Downside	**(10.6%)**
Current Price	**HK$22.80**

China Technology

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)	51,373.1
Avg 3 mths t/o (HK$ mn)	20.9
52w High/Low (HK$)	34.10/13.60
Total Issued Shares (mn)	2253.2

Source: FactSet

Shareholding Structure

Golden Link Worldwide Ltd	65.8%
Gold Dragonfly Ltd	5.0%

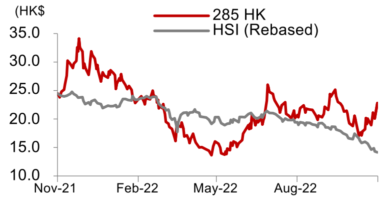
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	20.3%	41.0%
3-mth	13.2%	55.3%
6-mth	42.0%	103.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

CMB INTERNATIONAL

3Q22 Results review

Figure 1: 9M22 results review

RMB mn	9M21	9M22	YoY	CMBI FY22E	9Q22 % Track	Consensus FY22E	9Q22 % Track
Revenue	65,935	71,156	8%	91,098	78%	98,111	73%
Gross profit	4,604	4,124	-10%	5,878	70%	6,312	65%
Net profit	2,157	1,237	-43%	1,505	82%	1,843	67%
EPS (RMB)	0.96	0.55	-43%	0.67	82%	0.82	67%
Gross margin	7.0%	5.8%	-1.2 ppt	6.5%		6.4%	
Net margin	3.3%	1.7%	-1.5 ppt	1.7%		1.9%	

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: 3Q22 results review

RMB mn	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	YoY	QoQ
Revenue	19,890	24,641	21,404	23,122	20,933	22,761	27,462	28%	21%
Gross profit	1282	1779	1543	1425	1,145	1,184	1,796	16%	52%
Net profit	808	835	514	153	180	454	603	17%	33%
EPS (RMB)	0.36	0.37	0.23	0.07	0.08	0.20	0.27	16%	33%
Gross margin	6.4%	7.2%	7.2%	6.2%	5.5%	5.2%	6.5%	-0.7 ppt	1.3 ppt
Net margin	4.1%	3.4%	2.4%	0.7%	0.9%	2.0%	2.2%	-0.2 ppt	0.2 ppt
Revenue (YoY)	132.2%	8.0%	6.3%	7.0%	5.2%	-7.6%	28.3%		
Gross profit (YoY)	20.4%	-41.4%	-54.4%	-33.5%	-10.7%	-33.5%	16.4%		
Net profit (YoY)	22.9%	-54.0%	-72.4%	-86.2%	-77.7%	-45.7%	17.4%		

Source: Company data, Bloomberg, CMBIGM estimates

Earnings Revision

Figure 3: Earnings revision

RMB mn	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	96,507	108,377	125,189	91,098	98,635	110,911	6%	10%	13%
Gross Profit	5,827	7,693	9,979	5,878	7,564	9,493	-1%	2%	5%
Operating Profit	827	2,166	3,595	957	2,336	3,615	-14%	-7%	-1%
Net profit	1,711	2,815	4,072	1,505	2,669	3,794	14%	5%	7%
EPS (RMB)	0.76	1.25	1.81	0.67	1.18	1.68	14%	5%	7%
Gross Margin	6.0%	7.1%	8.0%	6.5%	7.7%	8.6%	-0.4 ppt	-0.6 ppt	-0.6 ppt
Operating Margin	0.9%	2.0%	2.9%	1.1%	2.4%	3.3%	-0.2 ppt	-0.4 ppt	-0.4 ppt
Net Margin	1.8%	2.6%	3.3%	1.7%	2.7%	3.4%	0.1 ppt	-0.1 ppt	-0.2 ppt

Sources: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	96,507	108,377	125,189	98,111	115,858	132,329	-2%	-6%	-5%
Gross Profit	5,827	7,693	9,979	6,312	8,524	10,419	-8%	-10%	-4%
Operating Profit	827	2,166	3,595	1,379	2,922	4,189	-40%	-26%	-14%
Net profit	1,711	2,815	4,072	1,843	3,051	4,127	-7%	-8%	-1%
EPS (RMB)	0.76	1.25	1.81	0.82	1.35	1.83	-7%	-8%	-1%
Gross Margin	6.0%	7.1%	8.0%	6.4%	7.4%	7.9%	-0.4 ppt	-0.3 ppt	0.1 ppt
Operating Margin	0.9%	2.0%	2.9%	1.4%	2.5%	3.2%	-0.5 ppt	-0.5 ppt	-0.3 ppt
Net Margin	1.8%	2.6%	3.3%	1.9%	2.6%	3.1%	-0.1 ppt	0 ppt	0.1 ppt

Source: Company data, CMBIGM estimates

Figure 5: 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 6: 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 new TP HK$20.39

We retain Hold with new TP HK$ 20.39 to reflect new EPS forecasts. We 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 7: 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**

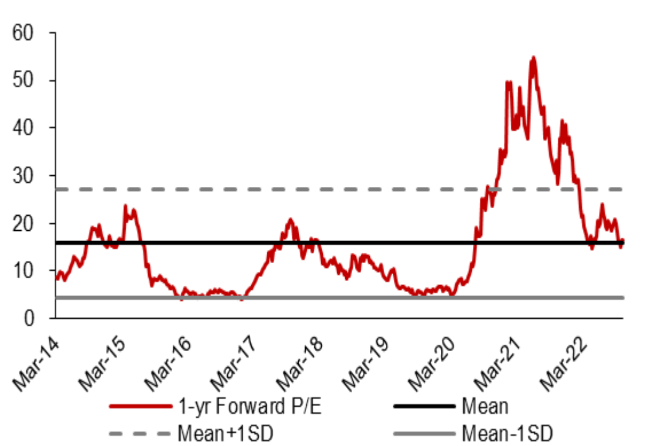
Sources: Company data, CMBIGM estimates

Figure 8: Peers' valuation

Company	Ticker	Rating	Market Cap (US$ mn)	Price (LC)	TP (LC)	Up/ Down -side	P/E (x) FY22E	P/E (x) FY23E	P/B (x) FY22E	P/B (x) FY23E	ROE (%) FY22E	ROE (%) FY23E
BYDE	285 HK	Hold	6,545	22.80	20.39	-11%	27.9	17.0	1.9	1.7	6.9	10.5
Tongda	698 HK	Buy	92	0.07	0.22	197%	2.5	1.9	0.1	0.1	2.3	3.0
AAC Tech	2018 HK	Hold	2,207	14.38	14.0	-3%	17.0	11.8	0.7	0.7	4.0	5.6
TK Group	2283 HK	Buy	170	1.60	3.4	111%	3.9	3.1	0.7	0.6	18.6	20.7
Ju Teng	3336 HK	NR	185	1.21	NA	NA	-	-	-	-	-	-
Everwin	300115 CH	NR	1,940	11.79	NA	NA	86.7	19.7	2.5	2.4	1.7	4.6
Lens Tech	300433 CH	NR	6,788	9.96	NA	NA	19.8	12.5	1.1	1.1	7.0	8.3
Foxconn	2354 TT	NR	1,981	45.20	NA	NA	10.6	10.1	0.5	0.5	5.6	6.0
Catcher	2474 TT	NR	3,753	169.50	NA	NA	13.3	17.4	0.8	0.8	6.1	4.8
			Average				**23.0**	**11.7**	**1.0**	**1.0**	**6.4**	**7.8**

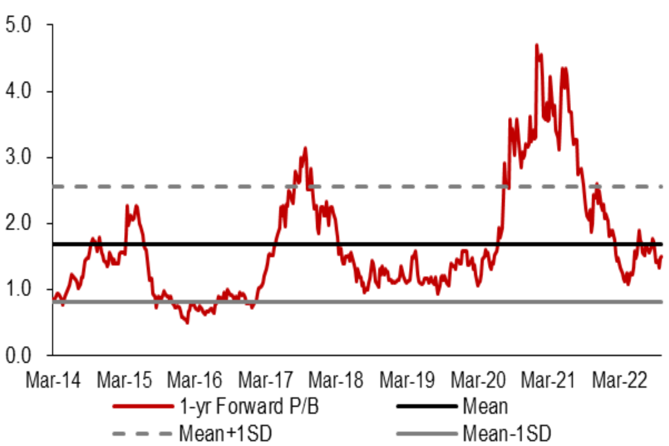
Source: Bloomberg, CMBIGM estimates

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	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	2019A	2020A	2021A	2022E	2023E	2024E
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	27.9	17.0	11.7
P/B	1.4	2.2	3.1	1.9	1.7	1.5
Div yield (%)	0.7	1.1	0.3	0.4	0.6	0.9
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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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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