

Maxscend (300782 CH)

Mixed results for 2021; New products and filter production are in focus for 2022

Maxscend announced FY21 preliminary results. FY21 revenue/NP grew 66%/99% YoY, reaching RMB4,636mn/2,139mn. Top line slightly missed our/consensus expectations by 4%/4%, while bottom line beat our/consensus est. by 3%/3%. Given recent weakness in Android market, we lowered our forecasts for FY22E. **TP adjusted to RMB415. Maintain BUY.**

- **Mixed results for 2021.** Maxscend FY21 revenue was RMB4.6bn, up 66.1% YoY. 4Q21 revenue was RMB1,153mn, up 2.6% QoQ and 40.6% YoY. FY21 and 4Q21 top line missed our/consensus expectations by 4%/4% and 13%/14%. FY21 NP was RMB2.1bn, up 99% YoY. 4Q21 NP was RMB612mn, up 19.3% QoQ and 72.2% YoY. FY21 and 4Q21 bottom line beat our/consensus est. by 3%/3% and 12%/12%. We believe the mixed results was due to continued component shortage, weak Android sales and improved profitability from newly released 5G module in 2021.
- **New products and filter production are in focus for 2022.** For 2022, we expect the company will see continuous improvement in profitability due to favorable product mix as module revenue has plenty growth opportunities in top Android OEMs. Given that the new manufacturing plant is currently under pilot production, we would watch closely on the ramp up status of its filter business and its yield after production.
- **Maintain BUY with new TP of RMB415.0.** We lowered our FY22 revenue/NP by 9%/8%, reflecting recent weak sales from Android OEMs. We adjusted our TP to RMB415.0 based on same 50x FY22E P/E. Maxscend is currently trading at 1-SD below historical P/E. We believe this valuation is attractive given 1) its leading position in China's RFFE market, 2) broad in-house designed product offerings, and 3) transition into fab-lite model to secure production capacity and full control of its manufacturing process.
- **Potential risks** include 1) slower-than-expected R&D progress and commercial launch of new products, 2) intensified competition that erode both top and bottom lines and 3) further deteriorated marco environment. **Potential upside** includes M&A opportunity.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Turnover (RMB mn)	1,512	2,792	4,636	6,299	8,265
YoY growth (%)	170.0%	84.6%	66.1%	35.9%	31.2%
Gross margin (%)	52.5%	52.8%	57.1%	55.5%	54.3%
Net profit (RMB mn)	497	1,073	2,139	2,724	3,524
YoY growth (%)	206.3%	115.8%	99.4%	27.3%	29.4%
Diluted EPS (RMB)	3.16	3.31	6.52	8.30	10.73
Consensus EPS (RMB)	45.8%	4.9%	96.8%	27.3%	29.4%
PE (x)	NA	NA	6.30	8.29	10.61
PB (x)	77.4	73.8	37.5	29.4	22.8
Yield (%)	22.6	29.7	17.4	11.6	8.1
Roe (%)	0.4%	0.4%	0.4%	0.4%	0.4%
Net gearing (%)	29.2%	40.3%	46.5%	39.4%	35.5%

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price **RMB415.0**
 (Previous TP **RMB450.0**)
 Up/Downside **+70%**
 Current Price **RMB244.21**

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Stock Data

Mkt Cap (RMB mn)	81.459
Avg 3 mths t/o (RMB\$ mn)	1,136
52w High/Low (RMB\$)	544.68/238.25
Total Issued Shares (mn)	333.6

Source: Bloomberg

Shareholding Structure

WX HUIZHI UNITED INV ENT	12.8%
Feng Chenhui	7.87%
Tang Zhuang	7.67%

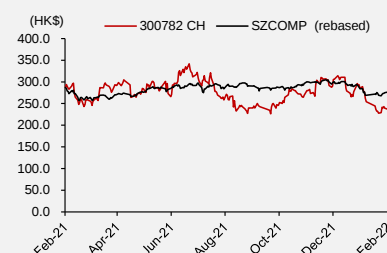
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-7.0%	-4.6%
3-mth	-16.6%	-10.7%
6-mth	-40.2%	-38.6%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: BDO

Related Reports

1. Long-term positive outlook unchanged despite short term fluctuation – 12 Jan 2022
2. "RFFE: Ubiquitous Connectivity Opens Up Immense Wireless Opportunity; Initiate BUY on Maxscend" – 7 Jan 2022

Earnings preview

Figure 1: Quarterly results

RMB mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	QoQ	YoY
Revenue	451	547	975	820	1,183	1,176	1,124	1,153	2.6%	40.6%
Gross Profit	237	288	489	461	684	676	660			
Operating Profit	177	230	404	407	572	607	566	479	-15.5%	17.7%
Net profit	152	201	364	355	492	522	513	612	19.3%	72.2%
EPS (RMB)	0.84	0.25	1.13	1.10	2.68	0.37	1.54			
Gross Margin	52.7%	52.6%	50.2%	56.3%	57.8%	57.4%	58.7%			
Operating Margin	39.2%	42.1%	41.5%	49.6%	48.4%	51.6%	50.4%	41.5%	-8.9 ppt	-8.1 ppt
Net Margin	33.7%	36.8%	37.4%	43.3%	41.6%	44.4%	45.6%	53.1%	7.5 ppt	9.7 ppt

Source: Company data, CMBIS

Figure 2: Annual results

RMB mn	FY18	FY19	FY20	FY21	YoY
Revenue	560	1,512	2,792	4,636	66%
Gross Profit	290	793	1,475		
Operating Profit	176	563	1,218	2,225	83%
Net profit	162	497	1,073	2,139	99%
EPS (RMB)	2.16	3.16	3.31		
Gross Margin	51.7%	52.5%	52.8%		
Operating Margin	31.5%	37.2%	43.6%	48.0%	4.4 ppt
Net Margin	29.0%	32.9%	38.4%	46.1%	7.7 ppt

Source: Company data, CMBIS

Figure 3: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	4,636	6,299	8,265	4,811	6,955	9,070	-4%	-9%	-9%
Gross Profit	2,647	3,496	4,492	2,773	3,908	4,998	-5%	-11%	-10%
Operating Profit	2,225	2,955	3,729	2,366	3,353	4,232	-6%	-12%	-12%
Net profit	2,139	2,724	3,524	2,073	2,945	3,712	3%	-8%	-5%
EPS (RMB)	6.52	8.30	10.73	6.31	8.97	11.30	3%	-8%	-5%
Gross Margin	57.1%	55.5%	54.3%	57.6%	56.2%	55.1%	-0.5 ppt	-0.7 ppt	-0.8 ppt
Operating Margin	48.0%	46.9%	45.1%	49.2%	48.2%	46.7%	-1.2 ppt	-1.3 ppt	-1.5 ppt
Net Margin	46.1%	43.2%	42.6%	43.1%	42.3%	40.9%	3.1 ppt	0.9 ppt	1.7 ppt

Source: Company data, CMBIS

Figure 4: CMBI estimates vs consensus

RMB mn	CMBI			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	4,636	6,299	8,265	4,831	6,700	8,741	-4%	-6%	-5%
Gross Profit	2,647	3,496	4,492	2,747	3,662	4,686	-4%	-5%	-4%
Operating Profit	2,225	2,955	3,729	2,332	3,084	3,950	-5%	-4%	-6%
Net profit	2,139	2,724	3,524	2,074	2,742	3,507	3%	-1%	0%
EPS (RMB)	6.52	8.30	10.73	6.30	8.29	10.61	3%	0%	1%
Gross Margin	57.1%	55.5%	54.3%	56.9%	54.7%	53.6%	0.2 ppt	0.8 ppt	0.7 ppt
Operating Margin	48.0%	46.9%	45.1%	48.3%	46.0%	45.2%	-0.3 ppt	0.9 ppt	-0.1 ppt
Net Margin	46.1%	43.2%	42.6%	42.9%	40.9%	40.1%	3.2 ppt	2.3 ppt	2.5 ppt

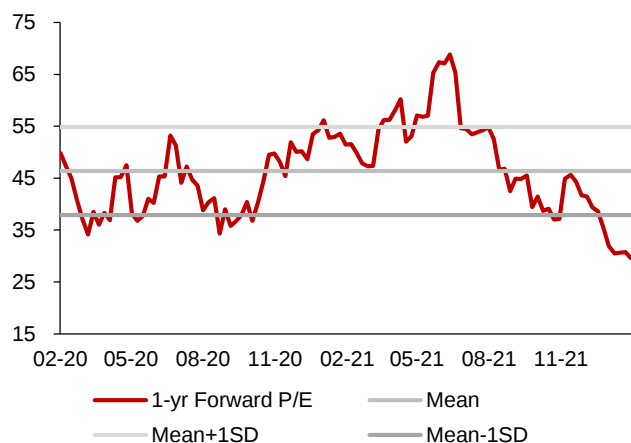
Source: Company data, CMBIS estimates

Figure 5: P&L forecast

RMB mn	FY18	FY19	FY20	1Q21	2Q21	3Q21	4Q21E	FY21E	FY22E	FY23E
Revenue	1,512	2,792	1,183	1,176	1,124	1,153	4,636	6,299	8,265	1,512
...YoY	170.0%	84.6%	162%	115%	15%	41%	66.1%	35.9%	31.2%	170.0%
Cost of sales	719	1,317	499	501	465	525	1,989	2,803	3,774	719
Gross profit	793	1,475	684	676	660	628	2,647	3,496	4,492	793
...YoY	173.8%	85.9%	188%	135%	35%	36%	79.4%	32.1%	28.5%	173.8%
GPM (%)	52.5%	52.8%	57.8%	57.4%	58.7%	54.4%	57.1%	55.5%	54.3%	52.5%
SG&A	76	66	18	17	23	31	89	120	158	76
...% of rev	5.0%	2.4%	1.5%	1.5%	2.0%	2.7%	1.9%	1.9%	1.9%	5.0%
R&D	138	182	61	62	72	82	277	376	493	138
...% of rev	9.1%	6.5%	5.1%	5.3%	6.4%	7.1%	6.0%	6.0%	6.0%	9.1%
Operating profit	563	1,218	572	607	566	479	2,225	2,955	3,729	563
...YoY	219.3%	116.5%	223.7%	163.7%	40.1%	17.7%	82.6%	32.8%	26.2%	219.3%
OPM (%)	37.2%	43.6%	48.4%	51.6%	50.4%	41.5%	48.0%	46.9%	45.1%	37.2%
Net profit	497	1,073	492	522	513	612	2,139	2,724	3,524	497
...YoY	206.3%	115.8%	224.3%	159.5%	40.7%	72.2%	99.4%	27.3%	29.4%	206.3%
NPM (%)	32.9%	38.4%	41.6%	44.4%	45.6%	53.1%	46.1%	43.2%	42.6%	32.9%

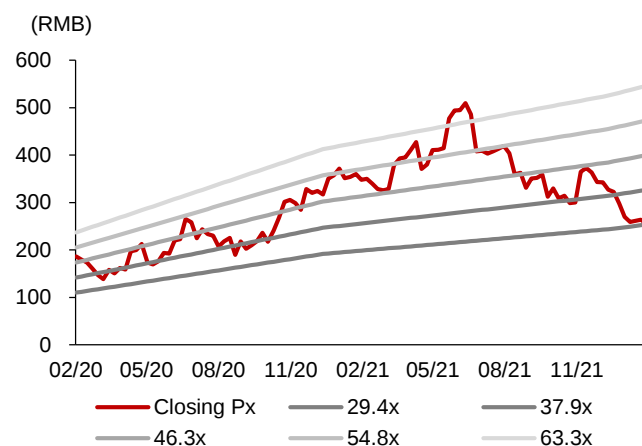
Source: Company data, CMBIS estimates

Figure 6: 12M forward P/E



Source: Company data, CMBIS

Figure 7: 12M forward P/E band



Source: Company data, CMBIS

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	1,512	2,792	4,636	6,299	8,265	Net profit	494	1,071	2,139	2,721	3,522
Cost of sales	(719)	(1,317)	(1,989)	(2,803)	(3,774)	Depreciation/amortization	19	28	46	104	203
Gross profit	793	1,475	2,647	3,496	4,492	Change in working capital	(481)	(103)	(892)	(58)	(1,065)
Selling exp	(43)	(34)	(33)	(45)	(59)	Others	23	9	(425)	153	(288)
Admin exp	(33)	(32)	(56)	(76)	(99)	Net cash from operating	56	1,005	867	2,919	2,372
R&D exp	(138)	(182)	(277)	(376)	(493)	Capex	(96)	(153)	(493)	(746)	(1,039)
Finance costs	12	(19)	6	9	16	Other	(486)	284	(841)	(35)	(35)
Other operating inc./exp.	(30)	10	(63)	(54)	(127)	Net cash from investing	(582)	130	(1,333)	(781)	(1,074)
Operating profit	563	1,218	2,225	2,955	3,729	Share issuance	841	0	0	0	5
Other non-oper exp.	0	(1)	194	130	258	Dividend paid	(100)	(100)	(185)	(400)	(509)
Pre-tax profit	563	1,217	2,419	3,085	3,988	Other	(11)	(1)	(1)	(6)	(4)
Income tax expense	(68)	(147)	(279)	(364)	(466)	Net cash from financing	730	(101)	(186)	(406)	(508)
Minority interests	(3)	(2)	0	(3)	(2)	Net change in cash	204	1,035	(652)	1,732	790
Net profit to shareholders	497	1,073	2,139	2,724	3,524	Cash, beg	265	477	1,475	814	2,538
						Exchange adj.	7	(37)	(8)	(8)	(8)
						Cash, end	477	1,475	814	2,538	3,321

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Current assets	1,784	2,652	3,582	5,644	7,429	Revenue by segment					
Cash & equivalents	477	1,475	900	2,624	3,406	RFFE discrete	1463	2462	3247	3785	4422
Account receivables	378	338	972	807	1,528	RFFE module	0	278	1295	2367	3635
Inventory	366	632	807	1,200	1,470	Other	49	52	93	146	209
Prepayment	32	32	60	76	100	Growth (%)					
Other current assets	531	175	843	936	925	Revenue	170.0%	84.6%	66.1%	35.9%	31.2%
Non-current assets	139	439	1,422	2,069	3,394	Gross profit	173.8%	85.9%	79.4%	32.1%	28.5%
PPE	72	103	322	687	1,188	Operating profit	219.3%	116.5%	82.6%	32.8%	26.2%
Deferred tax assets	7	10	11	21	26	Net profit	206.3%	115.8%	99.4%	27.3%	29.4%
Other non-current assets	60	326	1,089	1,361	2,181	Profit & loss ratio (%)					
Total assets	1,923	3,090	5,004	7,712	10,824	Gross margin	52.5%	52.8%	57.1%	55.5%	54.3%
Current liabilities	209	403	376	740	829	Operating margin	37.2%	43.6%	48.0%	46.9%	45.1%
ST borrowings	0	0	0	0	0	Net profit margin	32.9%	38.4%	46.1%	43.2%	42.6%
Account payables	130	224	180	389	377	Balance sheet ratio					
Tax payable	43	116	137	250	324	Net debt/total equity (%)	Net	Net	Net	Net	Net
Other current liabilities	36	64	59	101	128	Current ratio (x)	8.5	6.6	9.5	7.6	9.0
Non-current liabilities	17	35	34	69	85	Receivable turnover days	51	47	52	52	52
LT borrowings	0	0	0	0	0	Inventory turnover days	(127)	(138)	(146)	(146)	(146)
Deferred tax liability	14	33	32	65	80	Payable turnover days	(41)	(49)	(37)	(37)	(37)
Other non-current	2	2	2	4	5	Profitability (%)					
Total liabilities	226	438	410	809	914	ROE	29.2%	40.3%	46.5%	39.4%	35.5%
Share capital	100	180	328	328	328	ROA	25.9%	34.7%	42.7%	35.3%	32.6%
Reserve	940	860	731	731	731	Per share data (RMB)					
Retained earnings	610	1,556	3,295	5,347	8,010	EPS	3.16	3.31	6.52	8.30	10.73
Other	53	65	247	508	853	DPS	1.00	1.00	1.00	1.00	1.00
Minority interest	-6	-8	-8	-11	-13	BPS	10.81	8.21	14.02	21.06	30.22
Total equity	1,698	2,652	4,594	6,903	9,909						
Total liabilities and	1,923	3,090	5,004	7,712	10,824						

Source: Company data, CMBIS estimates

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