

Maxscend (300782 CH)

1Q22 preliminary results: top-line better than feared, bottom-line miss; Maintain BUY

Maxscend announced 1Q22 profit alert. 1Q22 revenue is estimated to grow 12.4% YoY to RMB1,330mn, while mid-point NP is expected to decline 7.9% YoY to RMB454mn. Given tough macro environment (unexpected geopolitical tension in Euro, partial lockdown in China), in addition to known weak smartphone demand, the Company delivered a satisfactory result in our view. A double-digit revenue growth for a tough quarter could dispel investors' concerns over the Company's capability to expand product portfolio. Lower margin is well expected with product portfolio expansion, but the degree exceeded our previous estimate due to recent supply chain uncertainties. We lowered our bottom line forecasts and cut TP to RMB278. Maintain BUY.

- **Revenue grew double-digit, despite of high base and weak smartphone shipment.** 1Q22 revenue is estimated to grow 12.4% YoY, as RF module (L-PAMiF) has been mass-produced. Due to the unusual seasonality caused by the pandemic, 1Q21 was the best quarter during the year in terms of sales. Given the high base and recent weakness in smartphone market, a double-digit revenue growth for the first quarter should dispel investors' concerns over the Company's ability to continue to make breakthroughs in product development and win clients' orders.
- **Lower profitability due to anticipated margin compression and unexpected supply chain uncertainties.** 1Q22 NP is expected to decline 10.4% - 5.4% YoY, due to 1) incremental R&D fees for fab-lite program, 2) unfavorable product mix as product portfolio expanded into matured categories, such as sub-3GHz receiver modules, 3) rising material price and 4) higher inventory level to ensure supply chain security.
- **Maintain BUY with new TP of RMB278.** We lowered our FY22E NP by 9%, due to prolonged supply chain disruption. We also adjusted target P/E multiple to 37x FY22E P/E (vs. prior 50x), 1-SD below historical 2-year average, reflecting smartphone market weakness, margin pressure and supply chain uncertainties.
- **Potential risks** include 1) weaken consumer demand, 2) intensified competition, 3) slower-than-expected R&D and 4) further deteriorated marco environment. **Potential upside** includes M&A opportunity.

Earnings Summary (FY21E)

(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%	54.6%	53.3%
Net profit (RMB mn)	497	1,073	2,139	2,467	3,236
YoY growth (%)	206.3%	115.8%	99.4%	15.3%	31.2%
EPS (RMB)	3.16	3.31	6.52	7.51	9.86
Consensus EPS (RMB)	NA	NA	6.36	8.12	10.39
PE (x)	57.8	55.1	28.0	24.3	18.5
Yield (%)	0.5%	0.5%	0.5%	0.5%	0.5%
Roe (%)	29.2%	40.3%	46.5%	37.1%	34.3%
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB278.00
(Previous TP	RMB450.00)
Up/Downside	+52.5%
Current Price	RMB182.33

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Stock Data

Mkt Cap (RMB mn)	60,824
Avg 3 mths t/o (RMB\$ mn)	1,13846
52w High/Low (RMB\$)	544.7/176.3
Total Issued Shares (mn)	333.6
Source: Bloomberg	

Shareholding Structure

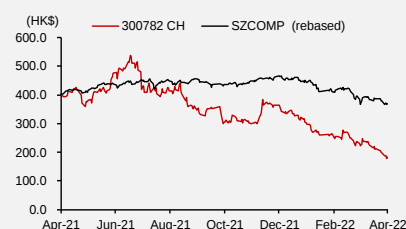
WX HUIZHI UNITED INV ENT	12.79%
Feng Chenhui	7.87%
Tang Zhuang	7.67%
Source: HKEx	

Share Performance

	Absolute	Relative
1-mth	-24.9%	-18.8%
3-mth	-40.5%	-28.0%
6-mth	-41.1%	-29.9%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: BDO

Related Reports

1. Mixed results for 2021; New products and filter production are in focus for 2022 – 23 Feb 2022 ([Link](#))
2. Long-term positive outlook unchanged despite short term fluctuation – 12 Jan 2022 ([Link](#))

Earnings preview

Figure 1: Quarterly results

RMB mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	QoQ	YoY
Revenue	451	547	975	820	1,183	1,176	1,124	1,153	1,330	15.4%	12.4%
Gross Profit	237	288	489	461	684	676	660	628			
Operating Profit	177	230	404	407	572	607	566	479			
Net profit	152	201	364	355	492	522	513	612	454	-25.9%	-7.9%
EPS (RMB)	0.84	0.25	1.13	1.10	2.68	0.37	1.54	1.92			
Gross Margin	52.7%	52.6%	50.2%	56.3%	57.8%	57.4%	58.7%	54.4%			
Operating Margin	39.2%	42.1%	41.5%	49.6%	48.4%	51.6%	50.4%	41.5%			
Net Margin	33.7%	36.8%	37.4%	43.3%	41.6%	44.4%	45.6%	53.1%	34.1%	-19 ppt	-7.5 ppt

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	4,636	6,299	8,265	4,636	6,299	8,265	0%	0%	0%
Gross Profit	2,647	3,439	4,403	2,647	3,496	4,492	0%	-2%	-2%
Operating Profit	2,225	2,663	3,403	2,225	2,955	3,729	0%	-10%	-9%
Net profit	2,139	2,467	3,236	2,139	2,724	3,524	0%	-9%	-8%
EPS (RMB)	6.52	7.51	9.86	6.52	8.30	10.73	0%	-9%	-8%
Gross Margin	57.1%	54.6%	53.3%	57.1%	55.5%	54.3%	0 ppt	-0.9 ppt	-1.1 ppt
Operating Margin	48.0%	42.3%	41.2%	48.0%	46.9%	45.1%	0 ppt	-4.6 ppt	-3.9 ppt
Net Margin	46.1%	39.2%	39.1%	46.1%	43.2%	42.6%	0 ppt	-4.1 ppt	-3.5 ppt

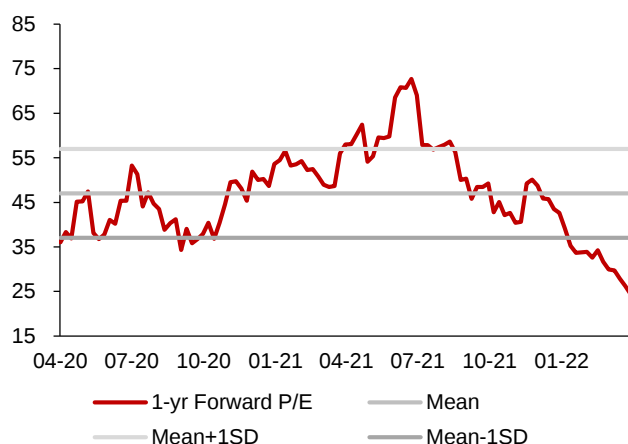
Source: Company data, CMBIGM estimates

Figure 3: 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	4,707	6,504	8,686	-2%	-3%	-5%
Gross Profit	2,647	3,439	4,403	2,681	3,525	4,581	-1%	-2%	-4%
Operating Profit	2,225	2,663	3,403	2,310	2,971	3,851	-4%	-10%	-12%
Net profit	2,139	2,467	3,236	2,094	2,656	3,437	2%	-7%	-6%
EPS (RMB)	6.52	7.51	9.86	6.36	8.12	10.39	2%	-7%	-5%
Gross Margin	57.1%	54.6%	53.3%	57.0%	54.2%	52.7%	0.1 ppt	0.4 ppt	0.5 ppt
Operating Margin	48.0%	42.3%	41.2%	49.1%	45.7%	44.3%	-1.1 ppt	-3.4 ppt	-3.2 ppt
Net Margin	46.1%	39.2%	39.1%	44.5%	40.8%	39.6%	1.6 ppt	-1.7 ppt	-0.4 ppt

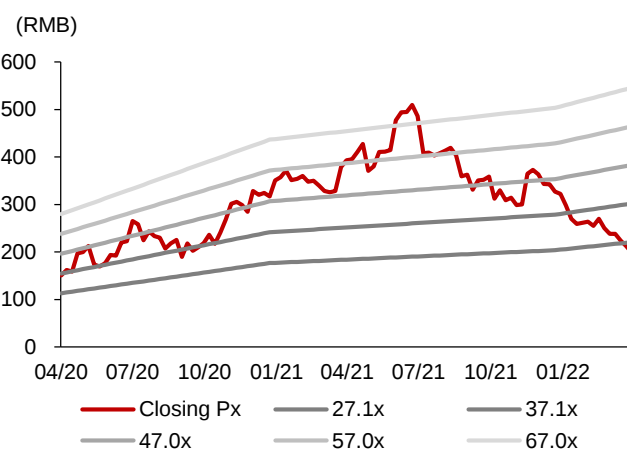
Source: Company data, CMBIS estimates

Figure 4: 12M forward P/E



Source: Company data, CMBIGM estimates

Figure 5: 12M forward P/E band



Source: Company data, CMBIGM estimates

Financial Summary (FY21E)

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	1,512	2,792	4,636	6,299	8,265
Cost of sales	(719)	(1,317)	(1,989)	(2,860)	(3,862)
Gross profit	793	1,475	2,647	3,439	4,403
Selling exp	(43)	(34)	(33)	(126)	(124)
Admin exp	(33)	(32)	(56)	(76)	(99)
R&D exp	(138)	(182)	(277)	(504)	(661)
Finance costs	12	(19)	6	9	14
Other operating inc./exp.	(30)	10	(63)	(79)	(130)
Operating profit	563	1,218	2,225	2,663	3,403
Other non-oper exp.	0	(1)	194	130	258
Pre-tax profit	563	1,217	2,419	2,794	3,661
Income tax expense	(68)	(147)	(279)	(330)	(427)
Minority interests	(3)	(2)	(3)	(3)	(2)
Net profit to shareholders	497	1,073	2,139	2,467	3,236

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Net profit	494	1,071	2,139	2,464	3,234
Depreciation/amortization	19	28	46	103	199
Change in working capital	(481)	(103)	(892)	(92)	(1,051)
Others	23	9	(425)	186	(266)
Net cash from operating	56	1,005	867	2,661	2,116
Capex	(96)	(153)	(493)	(725)	(996)
Other	(486)	284	(841)	(35)	(35)
Net cash from investing	(582)	130	(1,333)	(760)	(1,031)
Share issuance	841	0	0	0	5
Dividend paid	(100)	(100)	(185)	(400)	(461)
Other	(11)	(1)	(1)	(6)	(4)
Net cash from financing	730	(101)	(186)	(406)	(460)
Net change in cash	204	1,035	(652)	1,495	625
Cash, beg	265	477	1,475	814	2,301
Exchange adj.	7	(37)	(8)	(8)	(8)
Cash, end	477	1,475	814	2,301	2,918

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Current assets	1,784	2,652	3,582	5,425	7,022
Cash & equivalents	477	1,475	900	2,387	3,004
Account receivables	378	338	972	807	1,528
Inventory	366	632	807	1,221	1,470
Prepayment	32	32	60	76	100
Other current assets	531	175	843	933	920
Non-current assets	139	439	1,422	2,031	3,290
PPE	72	103	322	675	1,149
Deferred tax assets	7	10	11	20	25
Other non-current assets	60	326	1,089	1,336	2,116
Total assets	1,923	3,090	5,004	7,456	10,312
Current liabilities	209	403	376	742	818
ST borrowings	0	0	0	0	0
Account payables	130	224	180	400	383
Tax payable	43	116	137	242	309
Other current liabilities	36	64	59	100	126
Non-current liabilities	17	35	34	67	81
LT borrowings	0	0	0	0	0
Deferred tax liability	14	33	32	63	76
Other non-current	2	2	2	4	5
Total liabilities	226	438	410	809	899
Share capital	100	180	328	328	328
Reserve	940	860	731	731	731
Retained earnings	610	1,556	3,295	5,116	7,567
Other	53	65	247	482	799
Minority interest	-6	-8	-8	-10	-12
Total equity	1,698	2,652	4,594	6,647	9,412
Total liabilities and	1,923	3,090	5,004	7,456	10,312

Key ratios

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue by segment					
RFFE discrete	1463	2462	3247	3785	4422
RFFE module	0	278	1295	2367	3635
Other	49	52	93	146	209
Growth (%)					
Revenue	170.0%	84.6%	66.1%	35.9%	31.2%
Gross profit	173.8%	85.9%	79.4%	29.9%	28.0%
Operating profit	219.3%	116.5%	82.6%	19.7%	27.8%
Net profit	206.3%	115.8%	99.4%	15.3%	31.2%
Profit & loss ratio (%)					
Gross margin	52.5%	52.8%	57.1%	54.6%	53.3%
Operating margin	37.2%	43.6%	48.0%	42.3%	41.2%
Net profit margin	32.9%	38.4%	46.1%	39.2%	39.1%
Balance sheet ratio					
Net debt/total equity (%)	Net	Net	Net	Net	Net
Current ratio (x)	8.5	6.6	9.5	7.3	8.6
Receivable turnover days	51	47	52	52	52
Inventory turnover days	(127)	(138)	(146)	(146)	(146)
Payable turnover days	(41)	(49)	(37)	(37)	(37)
Profitability (%)					
ROE	29.2%	40.3%	46.5%	37.1%	34.3%
ROA	25.9%	34.7%	42.7%	33.1%	31.4%
Per share data (RMB)					
EPS	3.16	3.31	6.52	7.51	9.86
DPS	1.00	1.00	1.00	1.00	1.00
BPS	10.81	8.21	14.02	20.28	28.71

Source: Company data, CMBIGM estimates

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