

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**

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)	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%

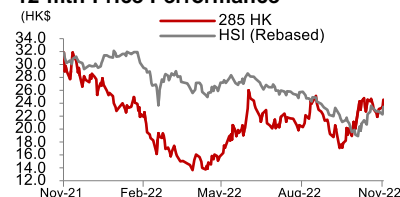
Source: HKEx

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

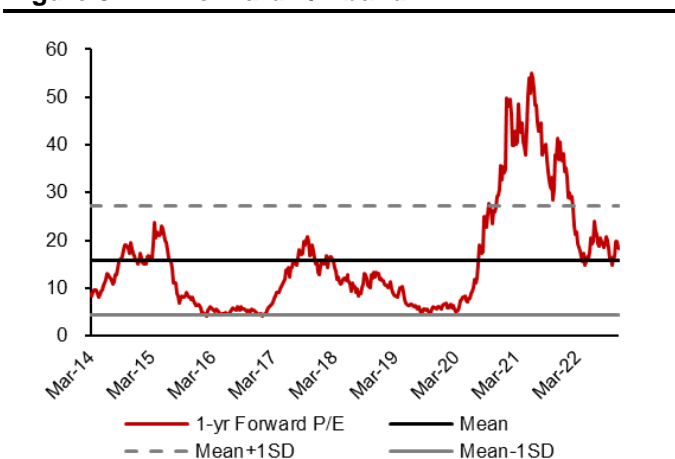
Sources: Company data, CMBIGM estimates

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

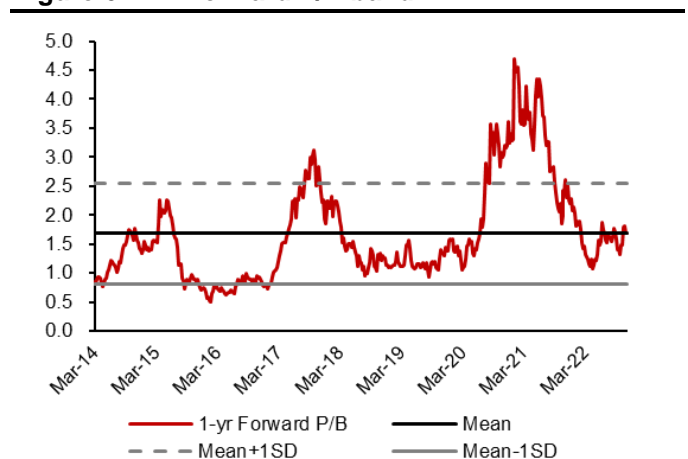
Source: Bloomberg, CMBIGM estimates

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	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	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.

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.