

Maxscend (300782 CH)

Impressive 3Q results; Maintain BUY

Maxscend announced its 3Q earnings. Revenue surged 80.2% YoY and 47.7% QoQ to RMB1.4bn, the highest quarterly revenue in the Company's history. Net profit was RMB452mn with 94.3% YoY and 80.9% QoQ growth. The Company's GPM slid from 49.2% in 2Q23 to 46.6% in 3Q23, as new factory is ramping up capacity. The Company's NPM recovered from 26.2% in 2Q23 to 32.1% in 3Q23 since the Company's sales growth was back on track. **Maintain BUY rating with TP adjusted to RMB174.**

- **3Q revenue beat consensus estimates of RMB1.11bn.** The Company's 3Q revenue grew on seasonal client restocking, new product share gain and favourable product mix. We think seasonality may be a crucial factor for 3Q's strong beat, as the industry-wide de-stocking efforts may have concluded.
- **3Q results suggest the demand is recovering and inventory is at a healthy level.** The Company's inventory level has steadily decreased from the peak of RMB1.8bn in 3Q22 to RMB1.4bn in 3Q23, close to 3 months of sales (based on 3Q23 results). The Company also recorded RMB18mn reverse in inventory reserve, indicating the demand is recovering and the Company was very prudent during the downcycle.
- **Module segment to drive future growth.** We remain optimistic on the Company's performance in 2024/25E, particularly with the anticipation of 1) high performance SAW filters that are now in mass production and the Company is the first contender to do so in domestic market, 2) more than 160mn units of the Company's SAW filters have been integrated into its DiFEM, L-DiFEM and GPS modules, 3) duplexers and multiplexers are currently in mass production among several customers, and 4) the rollout of its new L-PAMiD products that may become a successful revenue driver in the future. We expect the Company to deliver top-line growth of 31% and 32% YoY in 2024/25E.
- **Maintain BUY with TP raised to RMB174,** based on 42.0x 2025E P/E, ~10% below its 1-year historical avg. of 46.6x, as the Company is transitioning into fab-lite model from fabless model and margin compression due to the ramp up of new fab. We believe the valuation is fair considering the NP CAGR of 46.7% over 2024-25E. The Company is trading at a 10% premium compared to its peers at 38.1x 2025E P/E, given its leading position in the RF market and as a key beneficiary of semi localization.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	4,634	3,677	4,476	5,865	7,745
YoY growth (%)	66.0	-20.6	21.7	31.0	32.0
Gross margin (%)	57.7	52.9	46.3	45.4	45.5
Net profit (RMB mn)	2,135	1,069	1,194	1,554	2,209
YoY growth (%)	99.0	-49.9	11.7	30.1	42.1
EPS (RMB)	4.01	2.00	2.24	2.91	4.14
EPS Consensus (RMB)	NA	2.00	2.07	2.89	3.71
P/E (x)	37.6	75.3	67.3	51.8	36.4
ROE (%)	27.9	12.3	12.2	13.8	16.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **RMB174.0**
 (Previous TP RMB107.8)
Up/Downside **15.5%**
Current Price **RMB150.7**

China Technology

Lily YANG, Ph.D
 (852) 3916 3716
 lilyyang@cmbi.com.hk

Kevin ZHANG
 (852) 3761 8727
 kevinzhang@cmbi.com.hk

Stock Data

Mkt Cap (RMB mn) 80,443.7
 Avg 3 mths t/o (RMB mn) 578.3
 52w High/Low (RMB) 150.70/88.64
 Total Issued Shares (mn) 533.8
 Source: FactSet

Shareholding Structure

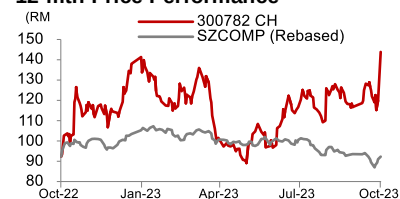
WX HUIZHI UNITED INV 11.5%
 Feng Chenhui 7.6%
 Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	29.1%	31.6%
3-mth	25.2%	38.2%
6-mth	48.4%	62.8%

Source: FactSet

12-mth Price Performance

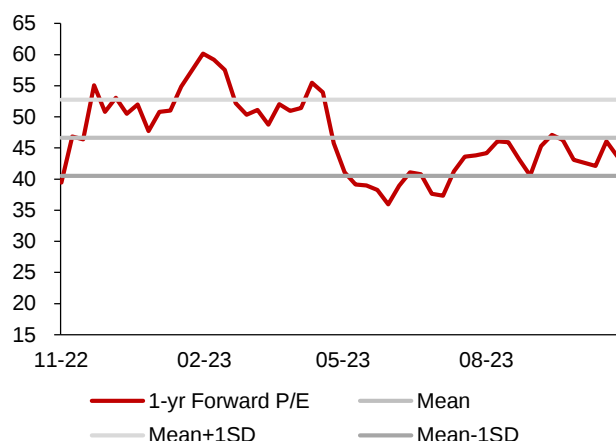


Source: FactSet

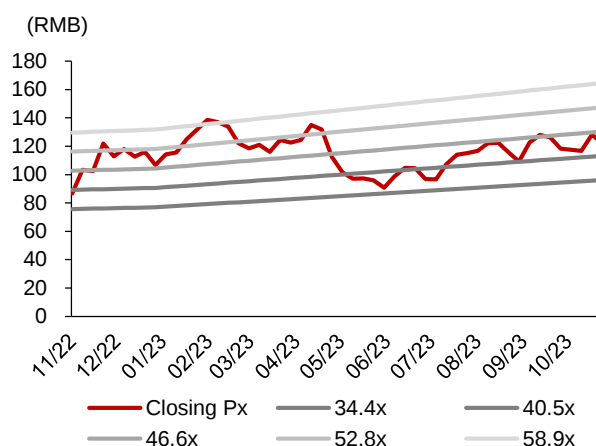
Figure 1: CMBIGM estimates vs. consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	4,476	5,865	7,745	4,188	5,404	6,723	7%	9%	15%
Gross Profit	2,072	2,663	3,523	2,042	2,604	3,225	1%	2%	9%
Net profit	1,194	1,554	2,209	1,111	1,593	2,050	8%	-2%	8%
EPS (RMB)	2.24	2.91	4.14	2.07	2.89	3.71	8%	1%	12%
Gross Margin	46.3%	45.4%	45.5%	48.8%	48.2%	48.0%	-2.5 ppt	-2.8 ppt	-2.5 ppt
Operating Margin	29.6%	31.0%	32.9%	28.1%	31.3%	30.3%	1.5 ppt	-0.3 ppt	2.6 ppt
Net Margin	26.7%	26.5%	28.5%	26.5%	29.5%	30.5%	0.2 ppt	-3 ppt	-2 ppt

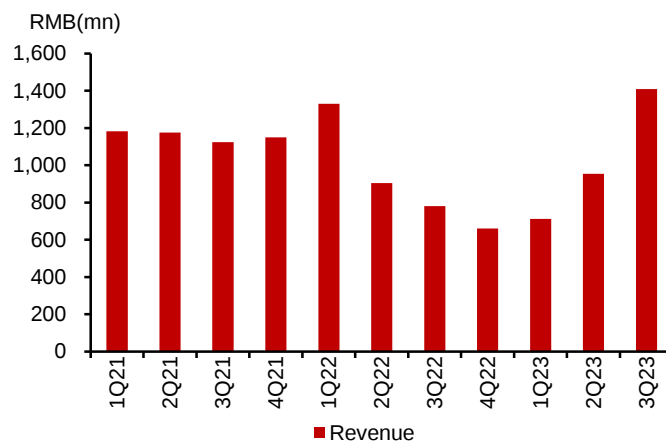
Source: Company data, CMBIGM estimates

Figure 1: 12M forward P/E band

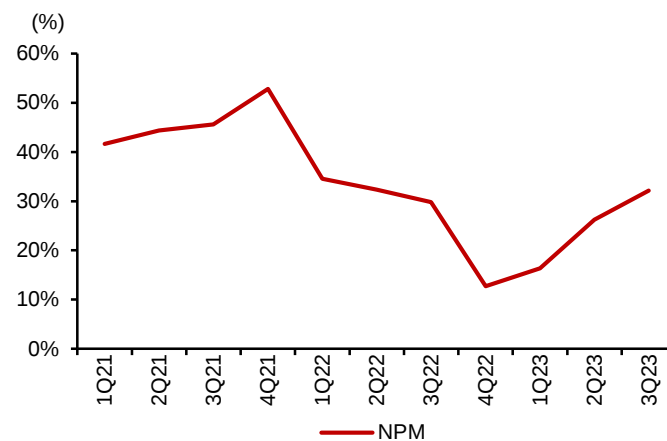
Source: Bloomberg, CMBIGM estimates

Figure 2: 12M forward P/E chart

Source: Bloomberg, CMBIGM estimates

Figure 4: 1Q21 - 3Q23 revenue

Source: Bloomberg, CMBIGM estimates

Figure 5: 1Q21 - 3Q23 net profit margin

Source: Bloomberg, CMBIGM estimates

Figure 6: Peers table

Company	Mkt Cap US\$(mn)	Price (LC)	FY23E	P/E(x) FY24E	FY25E
Maxscend	10,942	143.9	71.7	50.1	38.6
Vanchip	4,055	70.7	151.6	60.6	40.5
Gigadevice	9,758	106.9	84.5	48.1	33.0
Willsemi	17,772	111.1	107.3	39.6	27.7
Goodix	4,616	73.7	323.5	67.2	48.8
SG Micro	5,668	92.1	100.3	56.3	40.3
Peers Avg.			139.8	53.7	38.1
Peers Median			103.8	53.2	39.4

Source: Bloomberg; Note: data as of 30 Oct 2023.

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	2,792	4,634	3,677	4,476	5,865	7,745
Cost of goods sold	(1,323)	(1,959)	(1,732)	(2,404)	(3,202)	(4,222)
Gross profit	1,469	2,675	1,946	2,072	2,663	3,523
Operating expenses	(246)	(405)	(595)	(759)	(860)	(997)
SG&A expense	(60)	(97)	(139)	(187)	(216)	(262)
R&D expense	(182)	(304)	(449)	(561)	(630)	(715)
Others	(4)	(4)	(6)	(11)	(15)	(19)
Operating profit	1,223	2,269	1,351	1,313	1,803	2,527
Other income	14	212	13	12	16	21
Other expense	(3)	(7)	(8)	(4)	(6)	(8)
Other gains/(losses)	2	(48)	(302)	(112)	(91)	(98)
EBIT	1,236	2,427	1,055	1,208	1,722	2,442
Interest income	5	12	13	34	39	62
Interest expense	0	(0)	(1)	(2)	(3)	(4)
Others	(24)	(24)	22	2	0	0
Pre-tax profit	1,217	2,415	1,089	1,242	1,758	2,500
Income tax	(147)	(280)	(11)	(50)	(206)	(293)
After tax profit	1,071	2,135	1,078	1,193	1,552	2,206
Minority interest	(2)	(0)	9	(2)	(2)	(3)
Net profit	1,073	2,135	1,069	1,194	1,554	2,209

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	2,652	4,980	3,588	3,475	3,977	5,451
Cash & equivalents	1,475	2,661	1,277	967	1,657	2,348
Account receivables	338	572	400	532	561	712
Inventories	632	1,476	1,720	1,705	1,453	2,017
Prepayment	32	12	35	69	90	119
Other current assets	175	259	156	203	215	256
Non-current assets	439	3,468	5,915	7,402	8,383	9,319
PP&E	103	246	2,043	3,110	3,939	4,546
Right-of-use assets	0	3	14	74	175	342
Deferred income tax	10	23	69	104	118	141
Intangibles	62	75	123	157	201	260
Goodwill	0	0	0	0	0	0
Other non-current assets	264	3,121	3,667	3,958	3,950	4,031
Total assets	3,090	8,448	9,504	10,877	12,359	14,770
Current liabilities	403	752	721	841	818	1,082
Short-term borrowings	0	0	0	(2)	1	5
Account payables	224	376	476	643	585	803
Tax payable	116	298	136	85	96	115
Other current liabilities	12	18	17	36	43	44
Contract liabilities	19	8	6	22	29	39
Accrued expenses	32	52	85	56	63	76
Non-current liabilities	35	62	98	227	258	308
Long-term borrowings	0	0	0	0	0	0
Bond payables	0	0	0	0	0	0
Other non-current liabilities	35	62	98	227	258	308
Total liabilities	438	813	819	1,068	1,076	1,390
Share capital	180	334	534	534	534	534
Retained earnings	1,556	3,428	4,334	5,438	6,891	8,969
Other reserves	924	3,881	3,814	3,837	3,859	3,882
Total shareholders equity	2,660	7,642	8,682	9,808	11,284	13,384
Minority interest	(8)	(8)	3	1	(1)	(5)
Total equity and liabilities	3,090	8,448	9,504	10,877	12,359	14,770

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,071	2,135	1,078	1,193	1,552	2,206
Depreciation & amortization	30	52	103	167	241	284
Change in working capital	(103)	(1,086)	(518)	227	338	(378)
Others	7	49	279	(731)	(351)	(432)
Net cash from operations	1,005	1,150	942	857	1,781	1,680
Investing						
Capital expenditure	(153)	(2,858)	(1,711)	(1,033)	(942)	(846)
Others	284	(497)	93	(91)	(70)	(35)
Net cash from investing	130	(3,356)	(1,618)	(1,125)	(1,012)	(881)
Financing						
Dividend paid	(100)	(185)	(234)	(93)	(104)	(136)
Net borrowings	0	0	0	3	3	4
Others	(1)	2,965	1	8	9	9
Net cash from financing	(101)	2,780	(233)	(82)	(93)	(123)
Net change in cash						
Cash at the beginning of the year	477	1,475	2,020	1,214	879	1,569
Exchange difference	(37)	(29)	104	15	15	15
Others	1,035	574	(909)	(350)	676	676
Cash at the end of the year	1,475	2,020	1,215	879	1,569	2,260

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 CMBIGM 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.