

# Intron Tech (1760 HK)

## FY23E Preview: industry headwinds mostly priced in; Awaiting recovery in FY24E

Intron Tech will announce its FY23 results next week. We estimate FY23E revenue of RMB 5.76bn (+19% YoY) and net income of RMB 319mn (-23% YoY), mainly due to pricing pressure from downstream OEM, weaker cloud server, higher R&D expenses and interest costs. Looking ahead, while we think industry headwinds will remain in 1H24E given downstream OEMs' price pressure, we are positive on Intron's share gain on industry leadership and secular trends of automotive electrification and intelligence. We adjusted FY23-25E EPS to factor in slower sales growth and higher R&D/interest expenses. Trading at 6.3x/4.1x FY23/24E P/E (1-sd below 5-year avg.), we think risk-reward is attractive compared to A/H peers. Maintain BUY with new TP of HK\$6.10 on rollover 12x FY24E P/E. Upcoming catalysts include 2024 guidance, rising ADAS penetration and easing NEV price pressure.

- FY23E preview: slower growth amid challenging market.** We estimate FY23E revenue of RMB 5.76bn (+19% YoY) and net income of RMB 319mn (-23% YoY). By segment, we expect revenue from new energy/ body control/ safety/ powertrain/ automation & connectivity to deliver 34%/ 3.5%/ 29.9%/ 1.9%/ 57.1% growth YoY; while cloud server declined 53.9% YoY, given continued NEV growth, ADAS penetration and new product ramp-up, offset by cloud server weakness and downstream OEMs price pressure. We expect FY23E GPM to trend down to 19.0% (vs. FY22/1H23 GPM 21.5%/20.6%), and we expect 1H24 GPM to remain sluggish given intensified downstream OEMs price competition at the start of the year.
- FY24E outlook: ADAS segment as next growth driver, outperforming peers despite mixed industry outlook.** We expect Intron's sales to outgrow NEV industry given its leading market position, new product ramp-up and solid client base. With cost-plus pricing strategy and economies of scale of R&D investments, we believe Intron is well-positioned to outperform peers with further share gain in the auto electronics industry. Overall, we estimate revenue/net profit to recover with 20%/52% YoY growth in FY24E.
- Near-term concerns mostly priced in; attractive risk/reward with good dividend yield.** We trimmed FY23-25E EPS by 15-37% mainly to factor in slower business growth and ongoing margin pressure. Our new TP of HK\$6.10 is based on rolled-over same 12x FY24E P/E (24% below 5-year hist. avg.). Trading at 6.3x/4.1x FY23/24E P/E, significantly lower than 1-sd below 5-year avg., we think risk-reward is attractive with a dividend yield of 7%. Maintain BUY.

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	3,176	4,830	5,757	6,926	8,604
YoY growth (%)	59.4	52.1	19.2	20.3	24.2
Net profit (RMB mn)	200.6	415.0	318.8	486.0	690.7
YoY growth (%)	111.6	106.9	(23.2)	52.4	42.1
EPS (Reported) (RMB)	0.19	0.38	0.29	0.44	0.63
Consensus EPS (RMB)	N/A	N/A	0.44	0.58	0.65
P/E (x)	22.7	10.2	6.3	4.1	2.9
P/B (x)	2.6	2.0	0.8	0.7	0.6
Yield (%)	1.6	3.4	4.8	7.3	10.3
ROE (%)	13.2	21.3	14.1	19.1	23.3

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** **HK\$6.10**  
 (Previous TP) HK\$6.37  
**Up/Downside** **203.7%**  
**Current Price** **HK\$2.01**

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### Stock Data

Mkt Cap (HK\$ mn)	2,182.2
Avg 3 mths t/o (HK\$ mn)	1.6
52w High/Low (HK\$)	5.92/1.86
Total Issued Shares (mn)	1085.7

Source: FactSet

### Shareholding Structure

Magnate Era Ltd	48.3%
Luk Wing Ming	6.9%

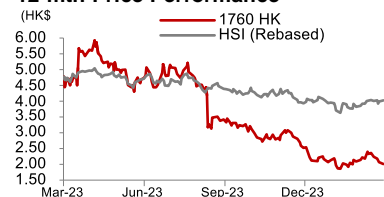
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-3.8%	-8.7%
3-mth	-20.2%	-22.1%
6-mth	-41.2%	-35.9%

Source: FactSet

### 12-mth Price Performance



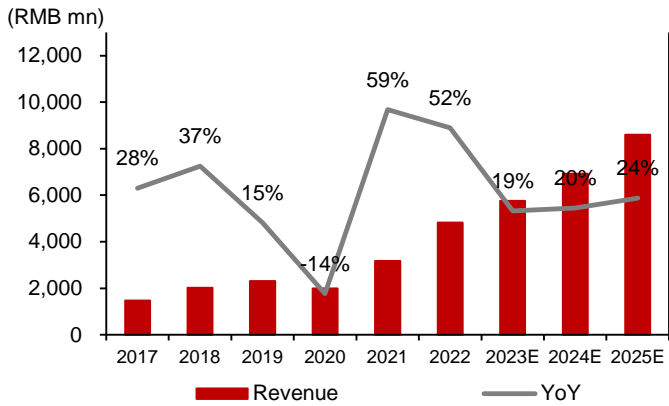
Source: FactSet

### Related reports:

- Intron Tech (1760 HK)-1H23 results below; expect back-loaded in 2H23E ([link](#))
- Intron Tech (1760 HK)-1H23E Preview: strong growth despite industry headwinds; expect back-loaded in 2H23E ([link](#))

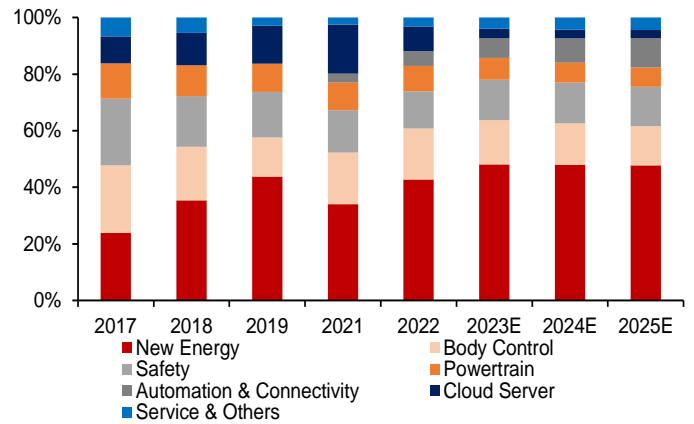
## Focus Charts

**Figure 1: Intron's revenue forecast**



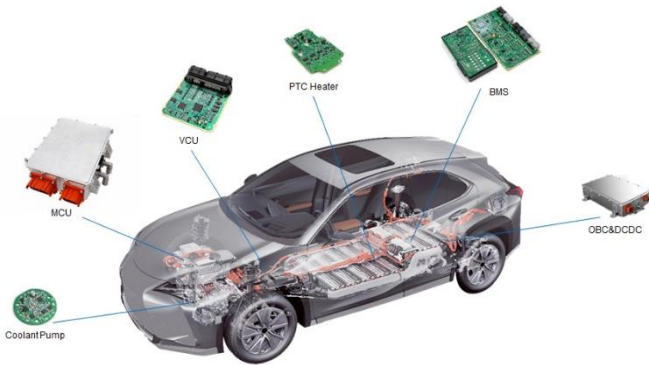
Source: Company data, CMBIGM estimates

**Figure 2: Intron's revenue breakdown**



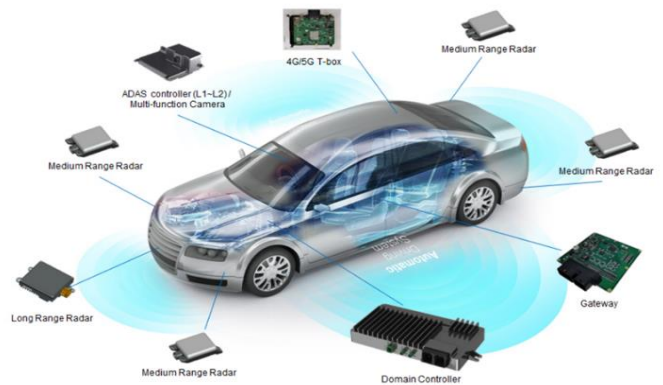
Source: Company data, CMBIGM estimates

**Figure 3: Intron's new energy vehicle solutions**



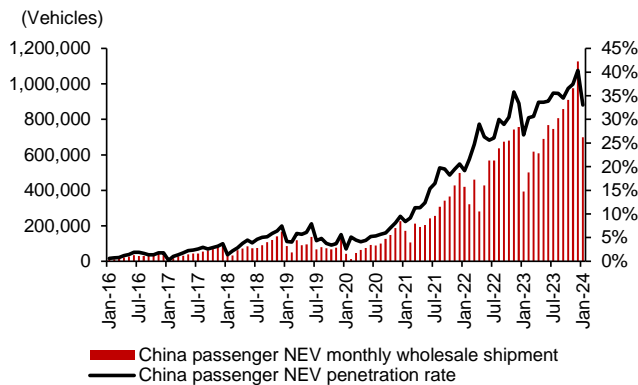
Source: Company data, CMBIGM estimates

**Figure 4: Intron's intelligent vehicle solutions**



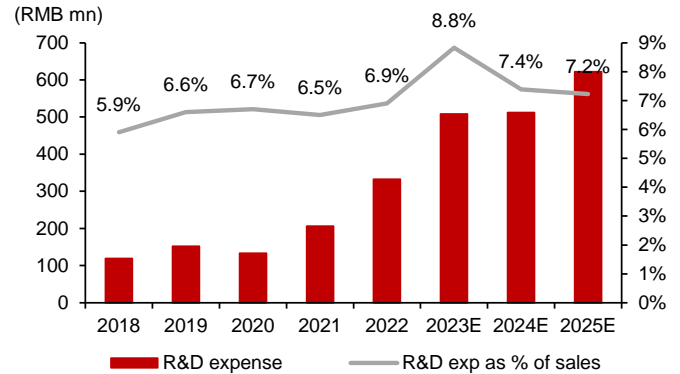
Source: Company data, CMBIGM estimates

**Figure 5: China's NEV monthly wholesale shipment**



Source: CAAM, CMBIGM estimates

**Figure 6: Intron's R&D expense as % of total sales**



Source: Company data, CMBIGM estimates

## Earnings Forecasts

Figure 7: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	5,757	6,926	8,604	6,418	8,422	9,961	-10%	-18%	-14%
Gross profit	1,092	1,312	1,692	1,318	1,714	2,000	-17%	-23%	-15%
Net profit	319	486	691	479	624	702	-33%	-22%	-2%
EPS (RMB)	0.29	0.44	0.63	0.44	0.58	0.65	-34%	-23%	-3%
Gross margin	19.0%	18.9%	19.7%	20.5%	20.4%	20.1%	-1.6 ppt	-1.4 ppt	-0.4 ppt
Net Margin	5.5%	7.0%	8.0%	7.5%	7.4%	7.0%	-1.9 ppt	-0.4 ppt	1 ppt

Source: Bloomberg, CMBIGM estimates

Figure 8: Earnings Revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	5,757	6,926	8,604	6,299	8,160	10,273	-9%	-15%	-16%
Gross profit	1,092	1,312	1,692	1,301	1,681	2,106	-16%	-22%	-20%
Net profit	319	486	691	507	635	813	-37%	-23%	-15%
EPS (RMB)	0.29	0.44	0.63	0.46	0.58	0.74	-37%	-23%	-15%
Gross margin	19.0%	18.9%	19.7%	20.7%	20.6%	20.5%	-1.7 ppt	-1.7 ppt	-0.8 ppt
Net Margin	5.5%	7.0%	8.0%	8.1%	7.8%	7.9%	-2.5 ppt	-0.8 ppt	0.1 ppt

Source: CMBIGM estimates

Figure 9: Revenue breakdown by segment

RMB mn	2021	2022	1H23	2H23E	2023E	2024E	2025E
<b>New Energy</b>	<b>1,082</b>	<b>2,067</b>	<b>1,253</b>	<b>1,516</b>	<b>2,769</b>	<b>3,323</b>	<b>4,109</b>
... YoY	131.6%	91.0%	58.1%	19.0%	34.0%	20.0%	23.6%
<b>Body Control</b>	<b>579</b>	<b>868</b>	<b>417</b>	<b>481</b>	<b>898</b>	<b>1,012</b>	<b>1,191</b>
... YoY	37.1%	50.0%	-3.2%	10.0%	3.5%	12.7%	17.7%
<b>Safety</b>	<b>476*</b>	<b>636*</b>	<b>390</b>	<b>436</b>	<b>826</b>	<b>999</b>	<b>1,199</b>
... YoY	-2.9%	33.5%	43.1%	20.0%	29.9%	20.9%	20.0%
<b>Powertrain</b>	<b>309</b>	<b>432</b>	<b>219</b>	<b>221</b>	<b>440</b>	<b>484</b>	<b>581</b>
... YoY	26.6%	39.9%	41.0%	-20.0%	1.9%	10.0%	20.0%
<b>Automation &amp; Connectivity</b>	<b>101*</b>	<b>255*</b>	<b>203</b>	<b>197</b>	<b>400</b>	<b>600</b>	<b>900</b>
... YoY	-	151.3%	117.7%	22.0%	57.1%	50.0%	50.0%
<b>Cloud Server</b>	<b>550</b>	<b>420</b>	<b>87</b>	<b>107</b>	<b>194</b>	<b>213</b>	<b>245</b>
... YoY	81.5%	-23.5%	-71.1%	-10.0%	-53.9%	10.0%	15.0%
<b>Service &amp; Others</b>	<b>79</b>	<b>152</b>	<b>57</b>	<b>172</b>	<b>229</b>	<b>294</b>	<b>378</b>
... YoY	19.1%	91.8%	95.4%	40.0%	50.6%	28.5%	28.5%
<b>Revenue</b>	<b>3,176</b>	<b>4,830</b>	<b>2,626</b>	<b>3,131</b>	<b>5,757</b>	<b>6,926</b>	<b>8,604</b>
... YoY	59.4%	52.1%	26.5%	13.6%	19.2%	20.3%	24.2%

Source: Company data, CMBIGM estimates, \* in FY22, Automation & Connectivity is separated from Safety segment

Figure 10: P&amp;L forecast

RMB mn	2021	2022	1H23	2H23E	2023E	2024E	2025E
<b>Revenue</b>	<b>3,176</b>	<b>4,830</b>	<b>2,626</b>	<b>3,131</b>	<b>5,757</b>	<b>6,926</b>	<b>8,604</b>
...YoY	59.4%	52.1%	26.5%	13.6%	19.2%	20.3%	24.2%
Cost of sales	-2,551	-3,789	-2,085	-2,580	-4,665	-5,615	-6,912
<b>Gross profit</b>	<b>625</b>	<b>1,041</b>	<b>541</b>	<b>551</b>	<b>1,092</b>	<b>1,312</b>	<b>1,692</b>
GPM (%)	19.7%	21.5%	20.6%	17.6%	19.0%	18.9%	19.7%
...YoY	74.5%	66.4%	20.8%	-7.1%	4.9%	20.1%	29.0%
S&M	-101	-106	-53	-59	-113	-132	-172
...% of rev	-3.2%	-2.2%	-2.0%	-1.9%	-2.0%	-1.9%	-2.0%
R&D	-206	-332	-233	-275	-508	-512	-622
...% of rev	-6.5%	-6.9%	-8.9%	-8.8%	-8.8%	-7.4%	-7.2%
Admin	-107	-95	-42	-16	-57	-69	-86
...% of rev	-3.4%	-2.0%	-1.6%	-0.5%	-1.0%	-1.0%	-1.0%
<b>Pre-tax profit</b>	<b>217</b>	<b>455</b>	<b>145</b>	<b>174</b>	<b>320</b>	<b>517</b>	<b>735</b>
Pre-tax profit margin (%)	6.8%	9.4%	5.5%	5.6%	5.6%	7.5%	8.5%
...YoY	120.9%	109.9%	-13.4%	-39.2%	-29.7%	61.7%	42.1%
<b>Net profit</b>	<b>201</b>	<b>415</b>	<b>154</b>	<b>164</b>	<b>319</b>	<b>486</b>	<b>691</b>
NPM (%)	6.3%	8.6%	5.9%	5.3%	5.5%	7.0%	8.0%
...YoY	111.6%	106.9%	1.2%	-37.4%	-23.2%	52.4%	42.1%

Source: Company data, CMBIGM estimates

## Valuation

### Maintain BUY with new TP of HK\$6.10

Our new TP of HK\$6.10 is based on rolled-over same 12x FY24E P/E. We use price/earnings as our valuation methodology since we believe it better captures Intron's earnings growth potential. We view our target multiple of 12x P/E as reasonable and justified by 19% earnings CAGR over 2022-25E and 26%/52% sales CAGR in New Energy and Automation & Connectivity segments.

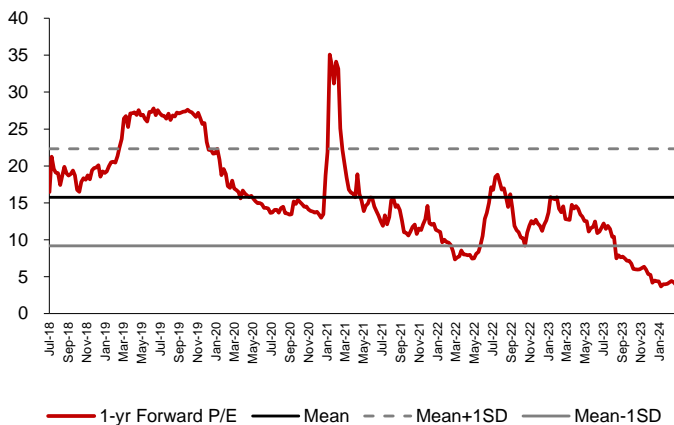
Intron now trades at 6.3x/4.1x FY23/24E P/E, vs 22.3x/17.7x FY23/24E P/E for A/H-listed automobile components/solutions peers. We think Intron is highly undervalued, especially considering its high ROE level. Upcoming catalysts include potential favourable NEV policy, rising ADAS/AD penetration, share gain in NEV customers and easing downstream price competition.

Figure 11: Intron Tech's peers valuation

Company	Ticker	CMBI Rating	Mkt Cap US\$(mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Intron Tech	1760 HK	BUY	280	2.01	6.1	204%	6.3	4.1	0.8	0.7	14.1	19.1
BOE Vx	710 HK	BUY	541	5.34	23.7	344%	6.1	4.9	0.4	0.4	7.2	7.5
BYDE	285 HK	BUY	8,645	30.00	45.9	53%	15.4	11.3	2.1	1.8	13.4	15.7
Sunny Optical	2382 HK	HOLD	7,188	51.25	50.7	-1%	43.8	24.2	2.2	2.1	5.0	8.6
Luxshare	002475 CH	BUY	28,163	28.26	47.0	66%	18.2	14.4	2.0	1.8	10.9	12.3
Desay SV	002920 CH	NR	7,955	102.99	NA	NA	38.2	27.7	7.4	6.0	20.4	23.2
Foryou Corp	002906 CH	NR	1,843	25.25	NA	NA	28.7	20.6	2.4	2.2	8.9	10.9
Joyson	600699 CH	NR	3,270	16.68	NA	NA	21.6	16.3	1.7	1.6	8.3	10.0
Jingwei Hirain	688326 CH	NR	1,200	71.88	NA	NA	-	35.5	1.6	1.6	(1.7)	5.4
<b>Average</b>							<b>22.3</b>	<b>17.7</b>	<b>2.3</b>	<b>2.0</b>	<b>9.5</b>	<b>12.4</b>

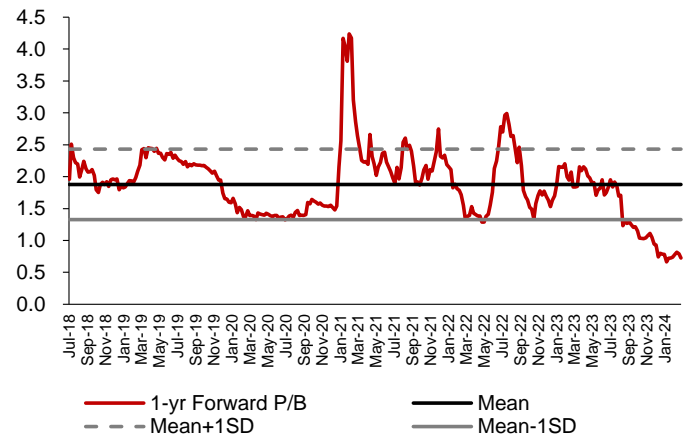
Source: Bloomberg, CMBIGM estimates

Figure 12: 12M forward P/E band



Source: Bloomberg, CMBIGM estimates

Figure 13: 12M forward P/B band



Source: Bloomberg, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec (RMB mn)</b>						
<b>Revenue</b>	<b>1,993</b>	<b>3,176</b>	<b>4,830</b>	<b>5,757</b>	<b>6,926</b>	<b>8,604</b>
Cost of goods sold	(1,635)	(2,551)	(3,789)	(4,665)	(5,615)	(6,912)
<b>Gross profit</b>	<b>358</b>	<b>625</b>	<b>1,041</b>	<b>1,092</b>	<b>1,312</b>	<b>1,692</b>
Selling expense	(68)	(101)	(106)	(113)	(132)	(172)
Admin expense	(218)	(313)	(427)	(566)	(581)	(708)
Other income	49	30	40	36	36	36
Other expense	(2)	(2)	(50)	(52)	(35)	(43)
Share of (losses)/profits of associates/JV	(1)	1	2	2	2	2
<b>Net Interest income/(expense)</b>	<b>(20)</b>	<b>(24)</b>	<b>(45)</b>	<b>(100)</b>	<b>(85)</b>	<b>(72)</b>
<b>Pre-tax profit</b>	<b>98</b>	<b>217</b>	<b>455</b>	<b>300</b>	<b>517</b>	<b>735</b>
Income tax	(3)	(17)	(44)	(1)	(26)	(37)
<b>After tax profit</b>	<b>95</b>	<b>200</b>	<b>411</b>	<b>298</b>	<b>491</b>	<b>698</b>
Minority interest	0	(0)	(4)	(4)	(5)	(7)
<b>Net profit</b>	<b>95</b>	<b>201</b>	<b>415</b>	<b>319</b>	<b>486</b>	<b>691</b>
Gross dividends	28	60	126	96	146	207
<b>BALANCE SHEET</b>						
	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Current assets</b>	<b>1,695</b>	<b>2,294</b>	<b>3,351</b>	<b>3,587</b>	<b>4,024</b>	<b>4,591</b>
Cash & equivalents	388	572	337	1,076	481	857
Account receivables	783	1,163	1,698	1,500	2,051	2,251
Inventories	447	498	1,086	780	1,261	1,252
Prepayment	40	27	182	182	182	182
ST bank deposits	36	32	49	49	49	49
Financial assets at FVTPL	0	0	0	0	0	0
Other current assets	0	0	0	0	0	0
Contract assets	1	1	0	0	0	0
<b>Non-current assets</b>	<b>360</b>	<b>565</b>	<b>724</b>	<b>747</b>	<b>761</b>	<b>774</b>
PP&E	154	170	195	211	222	226
Right-of-use assets	23	33	33	38	39	46
Deferred income tax	24	42	54	54	54	54
Intangibles	126	224	325	328	330	332
Financial assets at FVTPL	15	76	85	85	85	85
Other non-current assets	18	20	32	32	32	32
<b>Total assets</b>	<b>2,054</b>	<b>2,859</b>	<b>4,075</b>	<b>4,334</b>	<b>4,785</b>	<b>5,365</b>
<b>Current liabilities</b>	<b>747</b>	<b>1,097</b>	<b>1,907</b>	<b>1,944</b>	<b>2,049</b>	<b>2,138</b>
Short-term borrowings	433	632	950	950	950	950
Account payables	74	237	331	368	473	562
Tax payable	6	18	27	27	27	27
Other current liabilities	0	1	1	1	1	1
Lease liabilities	12	15	20	20	20	20
Accrued expenses	221	194	578	578	578	578
<b>Non-current liabilities</b>	<b>16</b>	<b>19</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	16	19	20	20	20	20
Share capital	9	9	9	9	9	9
Other reserves	1,283	1,733	2,129	2,351	2,697	3,187
<b>Total shareholders equity</b>	<b>1,292</b>	<b>1,743</b>	<b>2,149</b>	<b>2,371</b>	<b>2,717</b>	<b>3,207</b>
Minority interest	0	1	11	11	11	11
<b>Total equity and liabilities</b>	<b>2,054</b>	<b>2,859</b>	<b>4,075</b>	<b>4,334</b>	<b>4,785</b>	<b>5,365</b>

<b>CASH FLOW</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>98</b>	<b>217</b>	<b>455</b>	<b>320</b>	<b>517</b>	<b>735</b>
Depreciation & amortization	49	60	90	109	115	118
Tax paid	(21)	(22)	(35)	(1)	(26)	(37)
Change in working capital	2	(285)	(643)	540	(927)	(101)
Others	6	16	0	0	0	0
<b>Net cash from operations</b>	<b>134</b>	<b>(15)</b>	<b>(134)</b>	<b>967</b>	<b>(320)</b>	<b>716</b>
<b>Investing</b>						
Capital expenditure	(137)	(159)	(216)	(132)	(129)	(132)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Net proceeds from disposal of short-term investments	1	0	0	0	0	0
Others	(20)	(64)	0	0	0	0
<b>Net cash from investing</b>	<b>(156)</b>	<b>(222)</b>	<b>(216)</b>	<b>(132)</b>	<b>(129)</b>	<b>(132)</b>
<b>Financing</b>						
Dividend paid	(36)	(29)	(126)	(96)	(146)	(207)
Net borrowings	(0)	208	0	0	0	0
Proceeds from share issues	0	253	0	0	0	0
Others	(18)	(4)	0	0	0	0
<b>Net cash from financing</b>	<b>(54)</b>	<b>428</b>	<b>(126)</b>	<b>(96)</b>	<b>(146)</b>	<b>(207)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	497	388	572	337	1,076	481
Exchange difference	(33)	(8)	0	0	0	0
<b>Cash at the end of the year</b>	<b>388</b>	<b>572</b>	<b>337</b>	<b>1,076</b>	<b>481</b>	<b>857</b>

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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