



Company Report: FIT Hon Teng (06088 HK)

公司报告: 鸿腾精密 (06088 HK)

Gin Yu 余劲同

(852)2509 2113

gin.yu@gjas.com.hk

14 March 2024

Results Were in Line with Expectations, While Layout in EV Mobility to Bring Huge Expandable Market Space, "Buy"

- **We maintain the investment rating as "Buy" but set TP to HK\$1.65.** We forecast FY24-FY26 EPS to be US\$0.023/ US\$0.029/ US\$0.035, respectively. Considering future performance growth rate and historical valuation level, we give a 9.0x 2024 PER, corresponding to TP of HK\$1.65 and maintain the investment rating as "Buy".
- **FIT Hon Teng's (the "Company") FY23 results were in line with our expectations.** Operating revenue in FY23 decreased 7.4% yoy to US\$4,196 million. Shareholders' net profit decreased 23.5% yoy to US\$130 million.
- **"3+3" strategy will provide strong impetus for the Company's development.** The Company implements "3+3" strategy, promoting the development of EVs, 5G AIoT and acoustics. In terms of EV business, the trend of electrification and intelligentization is putting forward higher requirements for the number and quality of automotive connectors. With a complete range of connector products, global layout and the assistance of MIH, EV business will become a strong driving force for its development. In terms of audio business, the Company has a mature acoustic product portfolio and it has become a supplier of TWS product of North American customer. Explosion of AI server brings huge demand for high-speed connection; thus, we expect the Company to benefit from the construction of data centers promoted by AI development, and the corresponding copper-based and optical-based products will face a huge market demand. The Company expects that Revenue Mix from EV Mobility, new Generation 5G AIoT and Audio will reach 30% in 2024 and 40% in 2025.
- **Product expansion depth of EV mobility business is expected to exceed market expectation.** The Company has completed the acquisition of SWH and renamed it as FIT Voltaira, one of the leading manufacturers of sensor, connectivity and electrification solutions and has long served automotive OEMs, global large-scale tier-1 and tier-2 automotive system suppliers. The Company's product matrix will be further enriched, and the Company's layout in Europe will greatly accelerate; the Company is likely to obtain more European and American customers. In addition, the Company is expected to further develop partners and customers through MIH. Therefore, we believe that the development of EV mobility business will exceed market expectations.
- **Catalysts:** Further expansion of customer base; massive production of new EV mobility products; expansion in AI market.
- **Risks:** Slower than expected expansion of EV mobility business; less than expected penetration of TWS products; less than expected demand for servers and storage.

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$1.65

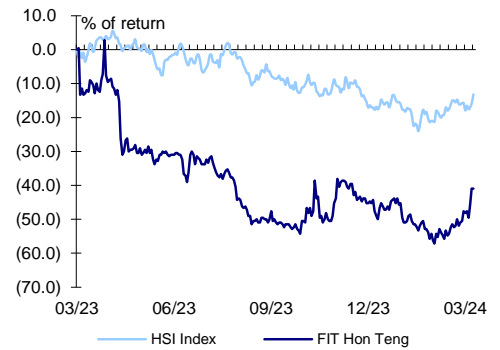
HK\$1.95

Share price 股价:

HK\$1.340

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	32.0	21.9	-39.0
Rel. % to HS Index 相对恒指变动 %	23.1	16.3	-26.1
Avg. Share price(HK\$) 平均股价 (港元)	1.0	1.1	1.3

Source: Bloomberg, Guotai Junan International.

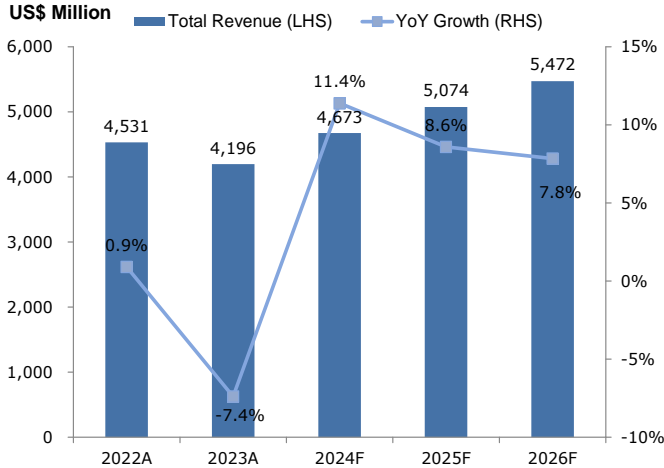
Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(US\$m)	(US\$m)	(US\$)	(Δ %)	(x)	(US\$)	(x)	(US\$)	(%)	(%)
2022A	4,531	170	0.024	20.0	7.2	0.335	0.5	0.000	0.0	7.2
2023A	4,196	129	0.018	(25.0)	9.5	0.344	0.5	0.000	0.0	5.4
2024F	4,673	166	0.023	27.8	7.4	0.367	0.5	0.000	0.0	6.6
2025F	5,074	208	0.029	26.1	5.9	0.396	0.4	0.000	0.0	7.7
2026F	5,472	245	0.035	20.7	4.9	0.431	0.4	0.000	0.0	8.4

Shares in issue (m) 总股数 (m)	7,289.9	Major shareholder 大股东	Hon Hai Precision	71.2%
Market cap. (HK\$m) 市值 (HK\$m)	9,768.5	Free float (%) 自由流通比率 (%)		28.8
3 month average vol. 3 个月平均成交股数 ('000)	3,915.0	FY24 Net gearing (%) FY24 净负债/股东资金 (%)		3.0
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	2.300 / 0.880	FY24 Est. NAV (HK\$) FY24 每股估值 (港元)		2.0

Source: the Company, Guotai Junan International.

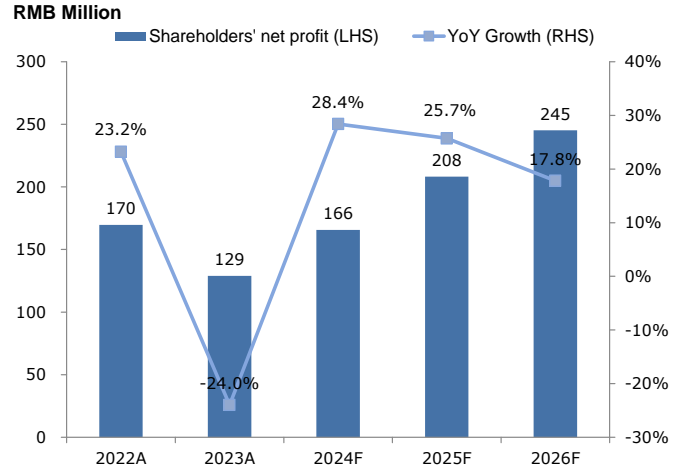
We maintain the investment rating as "Buy" but set TP to HK\$1.65. We forecast FY24-FY26 EPS to be US\$0.023/ US\$0.029/ US\$0.035, respectively. Considering future performance growth rate and historical valuation level, we give 9.0x 2024 PER, corresponding to TP of HK\$1.65 and maintain the investment rating as "Buy". The TP represents 9.0x/ 7.2x/ 6.1x 2024-2026 PER.

Figure-1: FIT Hon Teng's Total Revenue



Source: the Company, Guotai Junan International.

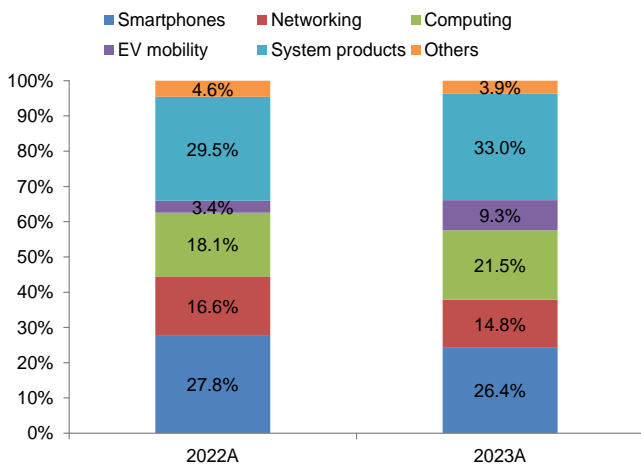
Figure-2: FIT Hon Teng's Profit Margins



Source: the Company, Guotai Junan International.

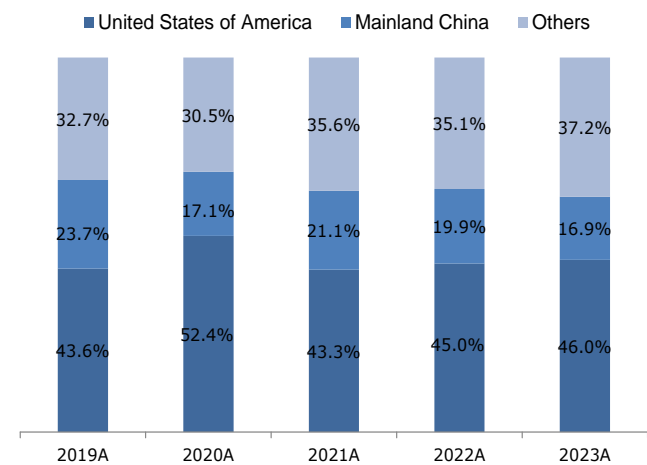
FIT Hon Teng's FY23 results were in line with our expectations. In 2023, revenue decreased by 7.4% yoy to US\$4,196 million. The gross profit margin of the Company increased by 2.3 pts yoy to 19.2%, while gross profit increased by 5.1% yoy. R&D expenses to total revenue increased by 0.8 ppt yoy to 7.3%. We believe that continuous R&D investment will ensure the Company's advantage in interconnect technology and the equipment market. Administrative expenses increased by 1.6 pts yoy to 4.5%, due to the acquisition of FIT Voltaira. Shareholders' net profit decreased by 23.5% yoy to US\$130 million.

Figure-3: FIT Hon Teng's Revenue Breakdown by Business



Source: the Company, Guotai Junan International.

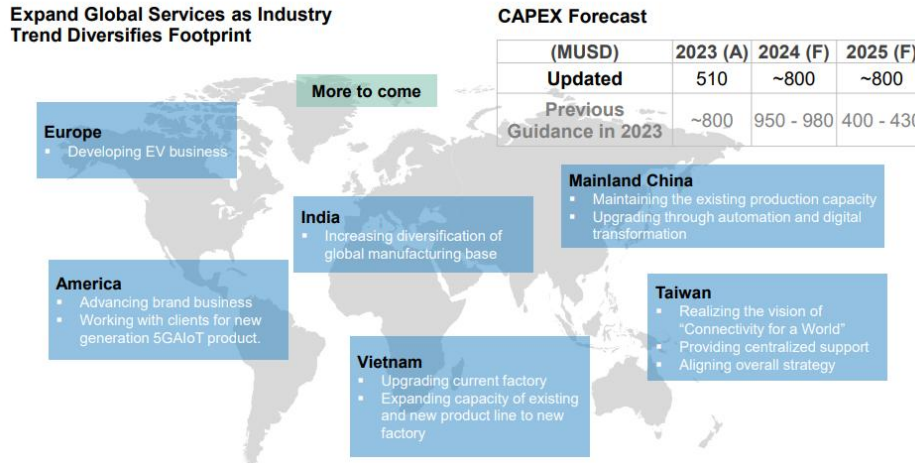
Figure-4: FIT Hon Teng's Revenue Breakdown by Region



Source: the Company, Guotai Junan International.

"3+3" strategy will provide strong impetus for the Company's development. The Company implements "3+3" strategy, promoting the development of EVs, 5G AIoT and acoustics. In terms of EV business, electrification and intelligentization is the general trend of the automotive industry, putting forward higher requirements for automotive connectors. With a complete range of connector products, global layout and the assistance of MIH, EV business will become a strong driving force for the development of the Company. In terms of audio business, the Company has a mature acoustic product portfolio and it has become a supplier of TWS product of North American customers. Explosion of AI server brings huge demand for high-speed connection to transfer large volume data, thus we expect the Company to benefit from the construction of data centers promoted by AI development, and the corresponding copper-based and optical-based products will face a huge market demand. The Company expects that Revenue Mix from EV Mobility, new Generation 5G AIoT and Audio will reach 30% in 2024 and 40% in 2025.

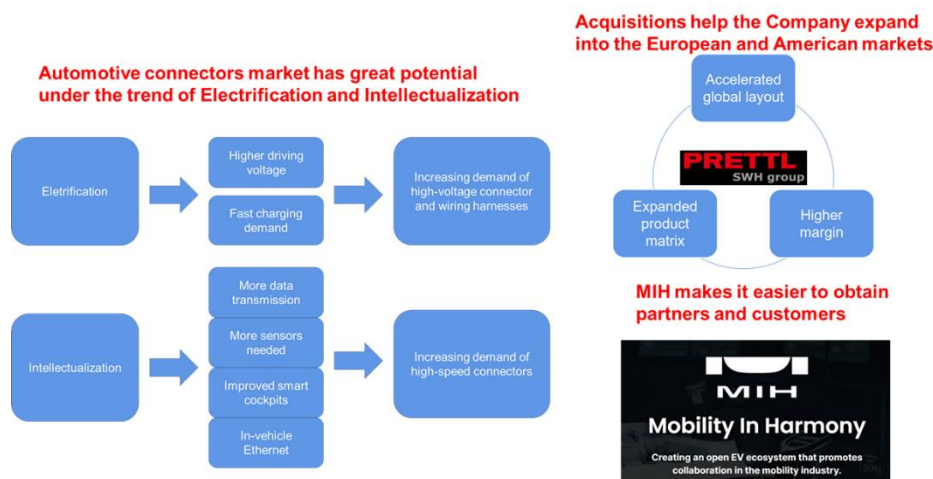
Figure-5: Expand Global Services as Industry Trend Diversifies Footprint



Source: Guotai Junan International.

We expect the Company's expansion in automotive connectors will exceed market expectations. Electrification and intellectualization have become general trends of automotive industry. Under the trend of vehicle electrification, driving voltage of electric vehicles has increased significantly, and high-voltage fast charging is becoming more and more indispensable for electric vehicles, which stimulates the demand for high-voltage connectors and wiring harnesses. Meanwhile, with the maturity of autonomous driving and the improvement of vehicle intelligence, vehicles will have a higher number of sensors and higher data transmission volume. In addition, vehicles will have increasingly advanced intelligent cockpit and in-vehicle ethernet. These trends put forward higher requirements for the number and quality of high-speed connectors. The Company has completed the acquisition of SWH and renamed it as FIT Voltaira, one of the leading manufacturers of sensor, connectivity and electrification solutions and has long served automotive OEMs, global large-scale tier-1 and tier-2 automotive system suppliers. The Company's product matrix will be further enriched, and the Company's layout in Europe will greatly accelerate; the Company is likely to obtain more European and American customers. In addition, the parent company Hon Hai Group ("Hon Hai") attaches great importance to the electric vehicle business, and the influence from MIH electric vehicle open platform established by Hon Hai is increasing rapidly. Thus, the Company is expected to further develop partners and customers through MIH. Therefore, we believe that the development of EV mobility business will exceed market expectations.

Figure-6: FIT Hon Teng's Potential for Automotive Connectors Business



Source: Guotai Junan International.

Catalysts: Further expansion of customer base; massive production of new EV mobility products; expansion in AI market.

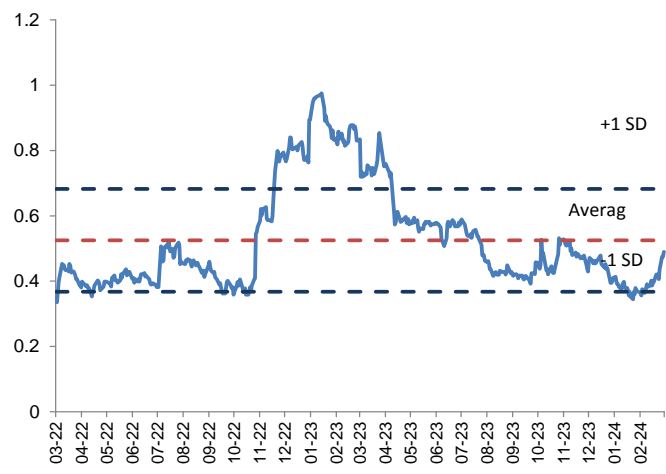
Risks: Slower than expected expansion of EV mobility business; less than expected penetration of TWS products; less than expected demand for servers and storage.

Figure-7: FIT Hon Teng's PE graph



Source: Bloomberg, Guotai Junan International.

Figure-8: FIT Hon Teng's PB graph



Source: Bloomberg, Guotai Junan International.

Table-1: Peers comparison

Company	Ticker	Currency	Price	Market Cap		PER			PBR			ROE (%)	D/Y (%)	EV/EBITDA
				(HKD Mil)	24F	25F	26F	24F	25F	26F	24F	24F	24F	
HK Listed Companies														
Fit Hon Teng Ltd	06088 HK	HKD	1.340	9,696	7.0	5.7	n.a.	0.5	n.a.	n.a.	6.9	0.0	n.a.	
Byd Electronic Intl Co Ltd	00285 HK	HKD	31.750	69,399	12.9	10.0	11.2	2.0	1.7	n.a.	16.1	1.3	6.7	
Aac Technologies Holdings In	02018 HK	HKD	23.100	27,266	20.6	15.9	11.3	1.1	1.0	1.0	5.0	0.9	6.6	
Sunny Optical Tech	02382 HK	HKD	54.550	57,690	22.7	16.9	11.9	2.2	2.0	1.8	10.1	0.8	9.9	
Q Technology Group Co Ltd	01478 HK	HKD	3.370	3,897	11.0	7.6	8.3	0.7	0.7	0.6	6.4	0.6	3.9	
Tongda Group Holdings Ltd	00698 HK	HKD	0.078	759	3.0	2.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Cowell E Holdings Inc	01415 HK	HKD	16.900	13,752	16.6	9.9	7.7	3.5	2.9	3.2	22.3	1.2	10.2	
Simple Average					13.4	9.8	10.1	1.7	1.7	1.6	11.1	0.8	7.5	
Weighted Average					17.0	12.7	11.1	1.9	1.8	1.7	12.3	1.0	8.0	
Mainland China Listed Companies														
Luxshare Precision Industr-A	002475 CH	CNY	28.250	215,145	14.2	11.7	9.7	2.8	2.3	1.9	21.0	0.8	7.8	
Wenzhou Yihua Connector Co-A	002897 CH	CNY	34.140	6,521	16.1	12.0	n.a.	2.7	2.3	n.a.	16.9	0.7	n.a.	
Cwb Automotive Electronics-A	605005 CH	CNY	15.690	6,916	21.2	19.6	18.5	3.1	n.a.	n.a.	15.7	1.5	n.a.	
Suzhou Recodeal Interconne-A	688800 CH	CNY	30.580	5,263	18.7	13.3	10.6	2.2	1.9	n.a.	11.8	1.1	12.2	
Goertek Inc -A	002241 CH	CNY	17.640	64,953	20.0	16.8	10.7	1.8	1.6	n.a.	8.8	1.2	7.7	
Simple Average					14.2	11.7	9.7	2.8	2.3	1.9	21.0	0.8	7.8	
Weighted Average					15.8	13.0	10.2	2.6	2.2	1.9	18.0	0.9	7.8	
Taiwan Listed Companies														
Lotes Co Ltd	3533 TT	TWD	1,250.000	33,852	18.5	15.2	12.7	4.2	3.7	n.a.	24.2	2.8	10.6	
Bizlink Holding Inc	3665 TT	TWD	244.500	9,952	11.4	9.3	9.4	1.6	1.4	n.a.	14.3	4.7	5.8	
Aten Internation Co Ltd	6277 TT	TWD	80.000	2,369	13.5	11.0	n.a.	1.8	n.a.	n.a.	14.7	n.a.	n.a.	
Cheng Uei Precision Industry	2392 TT	TWD	45.150	5,646	9.6	n.a.	n.a.	0.9	n.a.	n.a.	9.1	7.8	n.a.	
Simple Average					14.5	11.8	11.0	2.5	2.6	n.a.	17.7	3.8	8.2	
Weighted Average					16.0	13.7	11.9	3.3	3.2	n.a.	20.2	3.8	9.5	
US Listed Companies														
Te Connectivity Ltd	TEL US	USD	141.390	341,469	18.7	16.9	15.1	3.2	3.0	2.7	18.5	1.7	12.2	
Amphenol Corp-CI A	APH US	USD	110.530	518,541	33.5	30.0	26.9	7.0	6.0	5.0	22.8	0.8	21.3	
Aptiv Plc	APTV US	USD	79.720	170,010	14.0	11.1	9.0	1.8	1.6	1.4	12.8	0.2	8.0	
Simple Average					22.0	19.3	17.0	4.0	3.5	3.0	18.0	0.9	13.8	
Weighted Average					25.4	22.5	20.0	4.9	4.3	3.6	19.7	1.0	16.1	
JP&KR Listed Companies														
Japan Aviation Electronics	6807 JP	JPY	2,535.000	12,512	18.8	16.2	13.9	1.2	1.1	1.1	6.9	1.9	4.8	
Hirose Electric Co Ltd	6806 JP	JPY	14,830.000	28,595	18.7	17.2	15.5	1.4	1.4	1.3	7.7	3.1	10.8	
Hosiden Corp	6804 JP	JPY	1,906.000	6,159	8.2	13.1	7.5	n.a.	n.a.	n.a.	n.a.	2.5	n.a.	
I-Pex Inc	6640 JP	JPY	1,754.000	1,746	14.2	10.8	9.9	0.5	0.5	0.5	4.2	2.3	n.a.	
Sumitomo Corp	8053 JP	JPY	3,379.000	221,148	8.1	8.3	7.9	1.0	0.9	0.8	12.8	3.7	11.3	
Iriso Electronics Co Ltd	6908 JP	JPY	3,040.000	3,971	13.0	12.3	11.1	1.0	1.0	0.9	8.0	2.9	n.a.	
Fujikura Ltd	5803 JP	JPY	1,902.000	30,299	11.9	11.0	10.3	1.7	1.5	1.4	15.2	2.4	7.5	
Korea Electric Terminal Co	025540 KS	KRW	65,800.000	4,074	7.2	6.4	n.a.	0.7	6.1	n.a.	9.8	1.1	3.0	
Simple Average					10.2	10.8	8.4	0.7	0.7	0.7	8.5	2.8	11.3	
Weighted Average					10.0	9.8	9.1	1.1	1.1	0.9	12.2	3.4	10.5	
Overall Average					14.9	12.7	11.2	2.4	2.2	1.8	15.3	1.8	9.7	
Overall Weighted Average					16.8	14.4	12.5	2.7	2.5	2.0	16.5	2.0	10.4	

Source: Bloomberg.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

DISCLOSURE OF INTERESTS

- (1) The Analysts and their associates do not serve as an officer of the issuer mentioned in this Research Report.
- (2) The Analysts and their associates do not have any financial interests in relation to the issuer mentioned in this Research Report.
- (3) Guotai Junan International Holdings Limited and/or its subsidiaries do not hold equal to or more than 1% of the market capitalization of the issuer mentioned in this Research Report.
- (4) Guotai Junan International Holdings Limited and/or its subsidiaries have not had investment banking relationships with the issuer mentioned in this Research Report within the preceding 12 months.
- (5) Guotai Junan International Holdings Limited and/or its subsidiaries are not making a market in the securities in respect of the issuer mentioned in this Research Report.
- (6) Guotai Junan International Holdings Limited and/or its subsidiaries have not employed an individual serving as an officer of the issuer mentioned in this Research Report. There is no officer of the issuer mentioned in this Research Report associated with Guotai Junan International Holdings Limited and/or its subsidiaries.

DISCLAIMER

This Research Report does not constitute an invitation or offer to acquire, purchase or subscribe for securities by Guotai Junan Securities (Hong Kong) Limited ("Guotai Junan"). Guotai Junan and its group companies may do business that relates to companies covered in research reports, including investment banking, investment services, etc. (for example, the placing agent, lead manager, sponsor, underwriter or invest proprietarily).

Any opinions expressed in this report may differ or be contrary to opinions or investment strategies expressed orally or in written form by sales persons, dealers and other professional executives of Guotai Junan group of companies. Any opinions expressed in this report may differ or be contrary to opinions or investment decisions made by the asset management and investment banking groups of Guotai Junan.

Though best effort has been made to ensure the accuracy of the information and data contained in this Research Report, Guotai Junan does not guarantee the accuracy and completeness of the information and data herein. This Research Report may contain some forward-looking estimates and forecasts derived from the assumptions of the future political and economic conditions with inherently unpredictable and mutable situation, so uncertainty may contain. Investors should understand and comprehend the investment objectives and its related risks, and where necessary consult their own financial advisers prior to any investment decision.

This Research Report is not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject Guotai Junan and its group companies to any registration or licensing requirement within such jurisdiction.

© 2024 Guotai Junan Securities (Hong Kong) Limited. All Rights Reserved.
 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793
 Website: www.gtja.com.hk