

# Goertek (002241 CH)

## Solid GPM recovery in 1H24; Poised to benefit from “AI+XR” trend in 2H24E

Goertek's 1H24 revenue/ net profit growth of -11%/+190% YoY was largely in-line with its earlier positive profit alert (net profit +180-200% YoY). 2Q24 revenue/net profit delivered +0.1%/+168% YoY, and GPM came in at 13.6% (+4.4 ppts QoQ/5.9 ppts YoY), mainly due to improving efficiency and better acoustics product/smart product profitability. Looking ahead to 2H24/FY25E, we expect Goertek's earnings will continue to rebound given improving GPM and better AR/VR/gaming demand with multiple product launches from major VR/AR players. We raise FY24-26E EPS by 19-38% to reflect 1H24 results, a stronger GPM and better operating leverage. In longer term, we believe Goertek is well positioned to capture opportunities in the AR/VR product cycle from players such as Meta, Sony, Google, Samsung and Huawei. Maintain BUY with new TP of RMB25.9, based on rollover 25x FY25E P/E (prior 25x FY24E P/E).

- 1H24 in-line with profit alert, impressive GPM across all segments.** Goertek's 1H24 revenue/attributable net profit growth of -11%/+190% YoY was largely in-line with its positive profit alert. Strong revenue growth in precision components and acoustic products segments (+21%/+38% YoY) was partly offset by smart product weakness (-32% YoY), due to the late product cycle of Sony gaming console/VR and Meta Quest 3. 2Q GPM came in at 13.6% (+4.4 ppts QoQ/5.9 ppts YoY), mainly due to improving efficiency and better acoustics product/smart product profitability.
- 2H24/25 outlook: Expect continued GPM recovery; positive on “AI+XR” trend in 2H24E.** In addition to solid recovery of acoustic product segment, we believe Goertek is well positioned to benefit from new product launches of Meta Quest 3S and Sony PS5 Pro gaming console in 2H24E, along with AR glass product launches from multiple players, which should continue to drive profitability recovery and topline growth. Overall, we expect Goertek's net profit to grow +164%/23% YoY in FY24/25E.
- Maintain BUY.** We think Goertek's industry leadership and product roadmap in XR/acoustics/gaming segments will allow it to benefit from industry recovery and the upcoming new XR/gaming console product cycle in FY24/25E. We lift our FY24/25E EPS estimates by 19-38% mainly for better GPM and operating efficiency. Our new TP of RMB25.9 is based on a rollover 25x FY25E P/E (vs prior 25x FY24E P/E). Maintain BUY. Upcoming catalysts include new XR/gaming product launches and continued margin recovery.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	104,894	98,574	98,561	112,677	123,501
YoY growth (%)	34.1	(6.0)	(0.0)	14.3	9.6
Net profit (RMB mn)	1,749.2	1,088.1	2,875.5	3,522.3	4,090.3
EPS (Reported) (RMB)	0.52	0.32	0.85	1.04	1.20
YoY growth (%)	(59.7)	(38.5)	164.3	22.5	16.1
Consensus EPS (RMB)	N/A	N/A	0.73	0.97	1.18
P/E (x)	39.2	63.7	24.1	19.7	17.0
P/B (x)	2.3	2.2	2.0	1.9	1.7
Yield (%)	0.5	0.5	0.6	0.8	0.9
ROE (%)	6.0	3.5	8.7	9.8	10.5

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** RMB25.90  
 (Previous TP RMB17.56)  
**Up/Downside** 27.0%  
**Current Price** RMB20.39

### China Technology

#### Alex NG

(852) 3900 0881  
 alexng@cmbi.com.hk

#### Claudia LIU

claudialiu@cmbi.com.hk

### Stock Data

Mkt Cap (RMB mn)	69,733.8
Avg 3 mths t/o (RMB mn)	1,515.4
52w High/Low (RMB)	23.56/14.42
Total Issued Shares (mn)	3420.0

Source: FactSet

### Shareholding Structure

Goertek Group	14.8%
Jiang Bin	8.4%

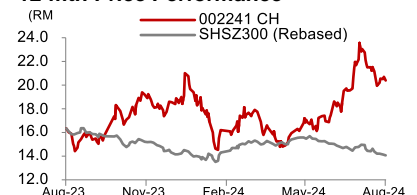
Source: Bloomberg

### Share Performance

	Absolute	Relative
1-mth	-8.0%	-3.3%
3-mth	21.0%	32.6%
6-mth	25.9%	28.0%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

## 2Q24 results review

Figure 1: 2Q24 review

RMB mn	FY22	1Q23	2Q23	3Q23	4Q23	FY23	1Q24	2Q24
<b>Revenue</b>	<b>104,894</b>	<b>24,122</b>	<b>21,050</b>	<b>28,775</b>	<b>24,626</b>	<b>98,574</b>	<b>19,312</b>	<b>21,070</b>
...YoY	34%	20%	-10%	-6%	-20%	-6%	-20%	0%
Cost of sales	(93,233)	(22,439)	(19,438)	(25,856)	(22,020)	(89,753)	(17,536)	(18,198)
<b>Gross profit</b>	<b>11,661</b>	<b>1,683</b>	<b>1,612</b>	<b>2,919</b>	<b>2,606</b>	<b>8,821</b>	<b>1,776</b>	<b>2,872</b>
GPM (%)	11.1%	7.0%	7.7%	10.1%	10.6%	8.9%	9.2%	13.6%
...YoY	5%	-39%	-44%	-29%	36%	-24%	6%	78%
SG&A	(2,843)	(698)	(346)	(759)	(928)	(2,731)	(609)	(625)
...% of rev	2.7%	2.9%	1.6%	2.6%	3.8%	2.8%	3.2%	3.0%
R&D	(5,227)	(961)	(1,081)	(1,300)	(1,373)	(4,716)	(825)	(1,208)
...% of rev	5.0%	4.0%	5.1%	4.5%	5.6%	4.8%	4.3%	5.7%
<b>Operating profit</b>	<b>1,610</b>	<b>(17)</b>	<b>268</b>	<b>486</b>	<b>172</b>	<b>909</b>	<b>384</b>	<b>857</b>
OPM (%)	1.5%	-0.1%	1.3%	1.7%	0.7%	0.9%	2.0%	4.1%
...YoY	-66%	-102%	-80%	-75%	-107%	-44%	2299%	-220%
<b>Net profit</b>	<b>1,749</b>	<b>106</b>	<b>316</b>	<b>470</b>	<b>196</b>	<b>1,088</b>	<b>380</b>	<b>846</b>
NPM (%)	1.7%	0.4%	1.5%	1.6%	0.8%	1.1%	2.0%	4.0%
...YoY	-59%	-88%	-73%	-73%	-109%	-38%	257%	168%

Source: Company data, CMBIGM estimates

## Earnings revisions

Figure 2: New estimates vs old estimates

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	98,561	112,677	123,501	99,533	105,413	111,962	-1%	7%	10%
Gross Profit	11,213	12,727	14,030	10,441	11,033	11,688	7%	15%	20%
Operating Profit	3,237	3,955	4,586	2,736	3,015	3,328	18%	31%	38%
Net profit	2,876	3,522	4,090	2,425	2,676	2,958	19%	32%	38%
EPS (RMB)	0.85	1.04	1.20	0.71	0.79	0.87	19%	31%	38%
Gross Margin	11.4%	11.3%	11.4%	10.5%	10.5%	10.4%	0.9 ppt	0.8 ppt	1 ppt
Operating Margin	3.3%	3.5%	3.7%	2.7%	2.9%	3.0%	0.6 ppt	0.6 ppt	0.7 ppt
Net Margin	2.9%	3.1%	3.3%	2.4%	2.5%	2.6%	0.5 ppt	0.6 ppt	0.7 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	98,561	112,677	123,501	100,939	111,830	125,683	-2%	1%	-2%
Gross Profit	11,213	12,727	14,030	10,825	12,177	13,937	4%	5%	1%
Operating Profit	3,237	3,955	4,586	2,763	3,760	4,511	17%	5%	2%
Net profit	2,876	3,522	4,090	2,509	3,371	4,009	15%	4%	2%
EPS (RMB)	0.85	1.04	1.20	0.73	0.97	1.18	16%	7%	2%
Gross Margin	11.4%	11.3%	11.4%	10.7%	10.9%	11.1%	0.7 ppt	0.4 ppt	0.3 ppt
Operating Margin	3.3%	3.5%	3.7%	2.7%	3.4%	3.6%	0.5 ppt	0.1 ppt	0.1 ppt
Net Margin	2.9%	3.1%	3.3%	2.5%	3.0%	3.2%	0.4 ppt	0.1 ppt	0.1 ppt

Source: Bloomberg, CMBIGM estimates

**Figure 4: Revenue forecast by segment**

RMB mn	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Precision Components</b>	<b>13,840</b>	<b>14,004</b>	<b>12,992</b>	<b>14,769</b>	<b>15,360</b>	<b>15,989</b>
... YoY	13%	1%	-7%	14%	4%	4%
Speaker/receiver	8,151	8,396	7,976	9,172	9,447	9,731
MIC (ECM/MEMS)	3,618	3,726	3,503	3,853	3,969	4,088
MEMS sensor	417	430	396	435	457	480
Antenna	761	913	794	953	1,096	1,260
Optical component module	893	539	324	356	392	431
<b>Hearable Products</b>	<b>30,297</b>	<b>25,881</b>	<b>24,185</b>	<b>27,215</b>	<b>27,574</b>	<b>27,997</b>
... YoY	14%	-15%	-7%	13%	1%	2%
Airpods	21,099	15,716	9,752	10,578	10,534	10,534
Android TWS	3,900	4,680	6,760	8,580	8,580	8,580
Smart Speaker	2,380	2,856	2,856	2,999	3,149	3,306
Others	2,918	2,628	4,817	5,058	5,311	5,577
<b>Smart Products</b>	<b>32,809</b>	<b>63,082</b>	<b>58,709</b>	<b>53,619</b>	<b>66,490</b>	<b>75,936</b>
... YoY	86%	92%	-7%	-9%	24%	14%
Smart Watch	7,650	11,475	13,196	14,516	17,419	20,903
Gaming Console	3,704	11,420	15,844	11,574	14,468	14,468
AR/VR Headset	20,115	16,970	14,555	11,660	17,940	23,070
Robotics/UAV/smart light	1,340	23,218	15,114	15,870	16,663	17,496
<b>Non-main business</b>	<b>1,275</b>	<b>1,927</b>	<b>2,688</b>	<b>2,957</b>	<b>3,253</b>	<b>3,578</b>
... YoY	5%	51%	39%	10%	10%	10%
<b>Total</b>	<b>78,221</b>	<b>104,894</b>	<b>98,574</b>	<b>98,561</b>	<b>112,677</b>	<b>123,501</b>
... YoY	35%	34%	-6%	0%	14%	10%

Source: Company data, CMBIGM estimates

**Figure 5: P&L forecast**

RMB mn	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>78,221</b>	<b>104,894</b>	<b>98,574</b>	<b>98,561</b>	<b>112,677</b>	<b>123,501</b>
... YoY	35%	34%	-6%	0%	14%	10%
Cost of sales	(67,168)	(93,233)	(89,753)	(87,348)	(99,950)	(109,471)
<b>Gross profit</b>	<b>11,054</b>	<b>11,661</b>	<b>8,821</b>	<b>11,213</b>	<b>12,727</b>	<b>14,030</b>
GPM (%)	14.1%	11.1%	8.9%	11.4%	11.3%	11.4%
... YoY	19%	5%	-24%	27%	14%	10%
SG&A	(2,397)	(2,843)	(2,731)	(2,908)	(3,121)	(3,359)
... % of rev	3.1%	2.7%	2.8%	3.0%	2.8%	2.7%
R&D	(4,170)	(5,227)	(4,716)	(4,820)	(5,408)	(5,805)
... % of rev	5.3%	5.0%	4.8%	4.9%	4.8%	4.7%
<b>Operating profit</b>	<b>4,683</b>	<b>1,610</b>	<b>909</b>	<b>3,237</b>	<b>3,955</b>	<b>4,586</b>
OPM (%)	6.0%	1.5%	0.9%	3.3%	3.5%	3.7%
... YoY	44%	-66%	-44%	256%	22%	16%
<b>Net profit</b>	<b>4,275</b>	<b>1,749</b>	<b>1,088</b>	<b>2,876</b>	<b>3,522</b>	<b>4,090</b>
NPM (%)	5.5%	1.7%	1.1%	2.9%	3.1%	3.3%
... YoY	50%	-59%	-38%	164%	22%	16%

Source: Company data, CMBIGM estimates

## Valuation

### Maintain BUY with new TP of RMB25.9

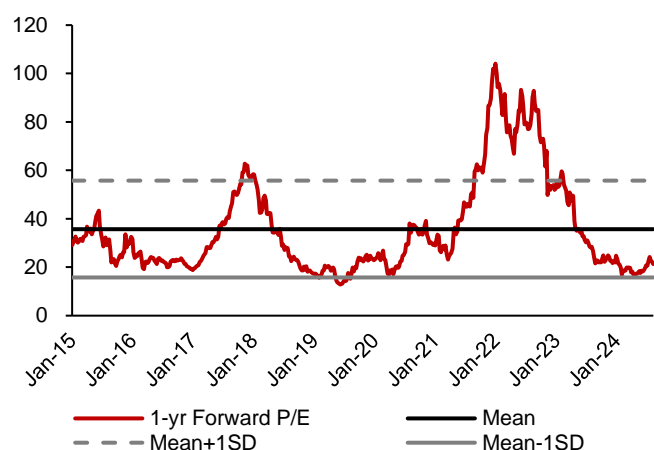
Our new TP of RMB25.9 is based on a rolled-over 25x FY25E P/E (vs prior 25x FY24E P/E). Overall, we believe Goertek's industry leadership and product roadmap in TWS/XR/acoustics/gaming segments will allow the company to benefit from industry recovery and market share gains in FY24/25E. Upcoming catalysts include new XR product launches and continued margin recovery.

Figure 6: Peers' valuation

Company	Ticker	Rating	Market Cap (US\$m)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
<b>A-listed components</b>												
Goertek	002241 CH	BUY	9,707	20.39	25.9	27%	24.1	19.7	2.0	1.9	8.7	9.8
Luxshare	002475 CH	BUY	36,840	36.71	46.6	27%	18.9	15.3	3.1	2.6	16.4	16.9
O-film	002456 CH	NR	3,824	8.30	NA	NA	41.5	25.5	6.6	6.3	5.0	11.1
Sunway	300136 CH	NR	2,390	17.73	NA	NA	21.1	17.1	2.2	2.0	10.0	12.0
BOE	000725 CH	NR	19,736	3.79	NA	NA	22.8	13.5	1.1	1.0	4.9	7.4
Hans Laser	002008 CH	NR	2,960	20.19	NA	NA	13.3	16.7	1.4	1.3	8.8	7.7
Lens Tech	300433 CH	NR	11,656	16.79	NA	NA	21.4	17.1	1.7	1.6	8.1	9.6
Everwin	300115 CH	NR	2,044	10.85	NA	NA	18.8	15.7	2.0	1.8	11.1	11.6
<b>Average</b>							<b>23.4</b>	<b>18.5</b>	<b>2.5</b>	<b>2.3</b>	<b>8.9</b>	<b>10.4</b>
<b>H-listed components</b>												
FIT Hon Teng	6088 HK	BUY	2,066	2.21	4.3	92%	11.0	6.8	0.8	0.7	7.0	10.3
AAC Tech	2018 HK	HOLD	4,342	28.25	22.4	-21%	22.0	17.7	1.3	1.2	5.8	6.9
Sunny Optical	2382 HK	HOLD	6,290	44.80	67.9	52%	17.9	16.2	1.9	1.8	10.4	10.9
Tongda	698 HK	BUY	96	0.08	0.1	71%	4.8	3.5	0.1	0.1	2.2	2.9
BYDE	285 HK	BUY	8,510	29.45	45.3	54%	11.7	8.6	3.2	2.5	27.0	29.2
Q tech	1478 HK	BUY	716	4.71	6.4	37%	14.1	9.4	1.0	0.9	6.9	9.6
TK Group	2283 HK	BUY	189	1.77	2.8	58%	5.2	4.4	0.8	0.7	15.3	16.3
YOFC	6869 HK	NR	1,727	8.14	NA	NA	7.2	5.9	0.5	0.4	7.0	7.9
Cowell	1415 HK	NR	2,329	21.15	NA	NA	22.8	13.0	4.5	3.4	21.8	28.3
<b>Average</b>							<b>14.3</b>	<b>10.4</b>	<b>1.5</b>	<b>1.3</b>	<b>10.6</b>	<b>12.6</b>

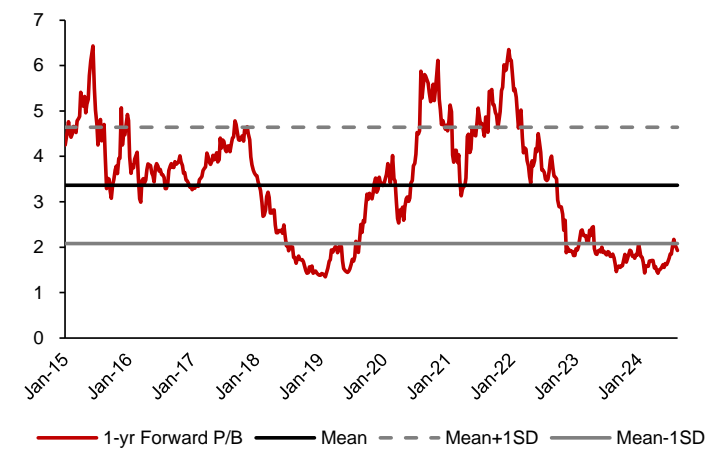
Source: Bloomberg, CMBIGM estimates.

Figure 7: 12M forward P/E band



Source: Bloomberg, CMBIGM

Figure 8: 12M forward P/B band



Source: Bloomberg, CMBIGM

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
<b>Revenue</b>	<b>78,221</b>	<b>104,894</b>	<b>98,574</b>	<b>98,561</b>	<b>112,677</b>	<b>123,501</b>
Cost of goods sold	(67,168)	(93,233)	(89,753)	(87,348)	(99,950)	(109,471)
<b>Gross profit</b>	<b>11,054</b>	<b>11,661</b>	<b>8,821</b>	<b>11,213</b>	<b>12,727</b>	<b>14,030</b>
Selling expense	(445)	(548)	(528)	(641)	(586)	(642)
Admin expense	(1,952)	(2,295)	(2,203)	(2,267)	(2,535)	(2,717)
R&D expense	(4,170)	(5,227)	(4,716)	(4,820)	(5,408)	(5,805)
Other income	467	373	373	373	373	373
Other expense	(271)	(1,797)	282	(117)	(117)	(122)
Investment gain/loss	469	(36)	(73)	(73)	(73)	(73)
Other gains/(losses)	(80)	(105)	114	114	114	114
<b>EBIT</b>	<b>4,683</b>	<b>1,610</b>	<b>909</b>	<b>3,237</b>	<b>3,955</b>	<b>4,586</b>
<b>Net Interest income/(expense)</b>	<b>(167)</b>	<b>(149)</b>	<b>(352)</b>	<b>(200)</b>	<b>(200)</b>	<b>(200)</b>
Other income/expense	(77)	144	(118)	(118)	(118)	(118)
<b>Pre-tax profit</b>	<b>4,606</b>	<b>1,509</b>	<b>791</b>	<b>3,119</b>	<b>3,837</b>	<b>4,468</b>
Income tax	(299)	282	228	(312)	(384)	(447)
<b>After tax profit</b>	<b>4,307</b>	<b>1,791</b>	<b>1,019</b>	<b>2,807</b>	<b>3,454</b>	<b>4,022</b>
Minority interest	32	42	(69)	(69)	(69)	(69)
<b>Net profit</b>	<b>4,275</b>	<b>1,749</b>	<b>1,088</b>	<b>2,876</b>	<b>3,522</b>	<b>4,090</b>
<b>BALANCE SHEET</b>						
YE 31 Dec (RMB mn)						
<b>Current assets</b>	<b>35,162</b>	<b>45,563</b>	<b>40,041</b>	<b>57,617</b>	<b>51,260</b>	<b>68,752</b>
Cash & equivalents	10,049	12,683	14,737	23,715	18,046	28,828
Account receivables	11,949	14,444	12,573	15,884	16,606	18,977
Inventories	12,082	17,349	10,795	16,081	14,672	19,011
Prepayment	98	51	255	255	255	255
Financial assets at FVTPL	119	339	587	587	587	587
Other current assets	850	698	1,094	1,094	1,094	1,094
<b>Non-current assets</b>	<b>25,917</b>	<b>31,613</b>	<b>33,703</b>	<b>37,206</b>	<b>39,747</b>	<b>41,997</b>
PP&E	20,250	23,884	24,377	27,880	30,421	32,671
Deferred income tax	495	1,370	1,609	1,609	1,609	1,609
Investment in JVs & assos	437	361	760	760	760	760
Intangibles	3,094	3,301	3,896	3,896	3,896	3,896
Goodwill	17	17	605	605	605	605
Financial assets at FVTPL	466	699	591	591	591	591
Other non-current assets	652	1,663	1,865	1,865	1,865	1,865
<b>Total assets</b>	<b>61,079</b>	<b>77,176</b>	<b>73,744</b>	<b>94,823</b>	<b>91,008</b>	<b>110,749</b>
<b>Current liabilities</b>	<b>29,803</b>	<b>42,721</b>	<b>33,442</b>	<b>51,585</b>	<b>44,844</b>	<b>61,177</b>
Short-term borrowings	4,285	7,121	5,214	7,214	9,214	11,214
Account payables	21,272	30,599	22,121	38,263	29,523	43,856
Tax payable	357	285	121	121	121	121
Other current liabilities	2,822	3,676	4,767	4,767	4,767	4,767
Accrued expenses	1,067	1,040	1,220	1,220	1,220	1,220
<b>Non-current liabilities</b>	<b>3,345</b>	<b>4,197</b>	<b>8,775</b>	<b>8,775</b>	<b>8,775</b>	<b>8,775</b>
Long-term borrowings	2,204	2,206	6,631	6,631	6,631	6,631
Bond payables	210	471	518	518	518	518
Deferred income	390	816	758	758	758	758
Other non-current liabilities	540	705	867	867	867	867
<b>Total liabilities</b>	<b>33,148</b>	<b>46,919</b>	<b>42,217</b>	<b>60,359</b>	<b>53,619</b>	<b>69,952</b>
Share capital	3,416	3,420	3,420	3,420	3,420	3,420
Retained earnings	9,478	10,281	8,998	8,998	8,998	8,998
Other reserves	16,725	18,083	18,670	21,606	24,532	27,940
<b>Total shareholders equity</b>	<b>27,931</b>	<b>30,258</b>	<b>31,528</b>	<b>34,463</b>	<b>37,389</b>	<b>40,797</b>
Minority interest	604	766	717	717	717	717
<b>Total equity and liabilities</b>	<b>61,079</b>	<b>77,176</b>	<b>73,744</b>	<b>94,823</b>	<b>91,008</b>	<b>110,749</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>4,606</b>	<b>1,509</b>	<b>791</b>	<b>3,119</b>	<b>3,837</b>	<b>4,468</b>
Depreciation & amortization	2,918	3,651	4,069	2,557	2,959	3,250
Tax paid	(299)	282	228	(312)	(384)	(447)
Change in working capital	1,186	924	2,230	7,545	(8,054)	7,624
Others	187	1,951	834	200	200	200
<b>Net cash from operations</b>	<b>8,598</b>	<b>8,317</b>	<b>8,152</b>	<b>13,109</b>	<b>(1,441)</b>	<b>15,096</b>
<b>Investing</b>						
Capital expenditure	(6,962)	(8,090)	(6,950)	(5,500)	(5,500)	(5,500)
Acquisition of subsidiaries/ investments	(3,083)	(2,118)	(5,756)	0	0	0
Net proceeds from disposal of short-term investments	3,102	1,061	4,634	0	0	0
Others	174	71	488	0	0	0
<b>Net cash from investing</b>	<b>(6,768)</b>	<b>(9,077)</b>	<b>(7,583)</b>	<b>(5,500)</b>	<b>(5,500)</b>	<b>(5,500)</b>
<b>Financing</b>						
Dividend paid	(675)	(953)	(837)	(431)	(528)	(614)
Net borrowings	913	3,197	2,258	2,000	2,000	2,000
Proceeds from share issues	2,179	395	0	0	0	0
Others	(2,030)	(631)	354	(200)	(200)	(200)
<b>Net cash from financing</b>	<b>387</b>	<b>2,008</b>	<b>1,774</b>	<b>1,369</b>	<b>1,272</b>	<b>1,186</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	6,913	9,138	10,800	13,153	22,131	16,461
Exchange difference	7	414	10	0	0	0
<b>Cash at the end of the year</b>	<b>9,138</b>	<b>10,800</b>	<b>13,153</b>	<b>22,131</b>	<b>16,461</b>	<b>27,244</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	35.5%	34.1%	(6.0%)	(0.0%)	14.3%	9.6%
Gross profit	19.4%	5.5%	(24.4%)	27.1%	13.5%	10.2%
EBIT	43.6%	(65.6%)	(43.5%)	256.0%	22.2%	16.0%
Net profit	50.1%	(59.1%)	(37.8%)	164.3%	22.5%	16.1%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	14.1%	11.1%	8.9%	11.4%	11.3%	11.4%
Return on equity (ROE)	17.9%	6.0%	3.5%	8.7%	9.8%	10.5%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Current ratio (x)	1.2	1.1	1.2	1.1	1.1	1.1
Receivable turnover days	51.3	45.9	50.0	50.0	50.0	50.0
Inventory turnover days	57.7	57.6	57.2	57.2	57.2	57.2
Payable turnover days	104.9	101.5	107.2	107.2	107.2	107.2
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E	15.8	39.2	63.7	24.1	19.7	17.0
P/B	2.5	2.3	2.2	2.0	1.9	1.7
Div yield (%)	1.0	0.5	0.5	0.6	0.8	0.9

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 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.