

BYDE (285 HK)

Positive on multiple growth drivers ahead despite near-term drags from Jabil integration

We maintain the BUY rating of BYDE with new TP of HK\$40.89 as we believe multiple growth drivers from Apple share gains, Jabil synergy, NEV product pipeline, robotics and AI server business expansion will offset earnings impact from higher expenses of Jabil integration in the near term. We lowered FY24-26E EPS by 7-14% to factor in 1H24 results, stronger smartphone recovery, and Jabil's integration expenses. We estimate net profit to grow 8%/43% YoY in FY24/25E. We think recent share price corrections have reflected Jabil-related expenses for interest costs, and intangible asset depreciation. Trading at 13.0x/9.1x FY24/25E P/E, we see good buying opportunities for the stock. Upcoming catalysts include iPhone16 event, AI server product launches (e.g. GB200) and NEV product pipeline.

■ **1H24 results below estimates on GPM and higher Jabil-related expenses.** BYDE reported inline 1H24 revenue growth of 40% YoY, driven by strong Apple share gains, Android recovery, Jabil consolidation and strong NEV demand, while net profit growth of 0.1% YoY is below our/consensus estimate by 21%/15% YoY, mainly dragged by weaker GPM (-1ppt YoY) and intangible asset depreciation expenses (RMB450mn). Mgmt. guided 1) GPM recovery in 2H24, 2) total intangible asset depreciation expenses of ~RMB4bn will be incurred in next five years, 3) interest expense to decline significantly in 2H24E compared to RMB309mn in 1H24. We revised down FY24-26E EPS by 7-14% mainly to reflect 1H24 results and Jabil-related expenses.

■ **2025 outlook: Apple share gains, Android recovery, NEV rapid growth, robotics/AI servers.** Looking into 2025, for smartphone biz, we expect BYDE is set to benefit from iPhone AI cycle and Android high-end model demand. For NEV, mgmt. stated that product pipeline will be expanded into smart cockpit, high-end ADAS, active suspension and controllers/sensors. For robotics, BYDE will co-develop AMR robots with Nvidia focusing on factory automation. For AI datacenter, mgmt. highlighted a strong product roadmap in server (high-speed connectors, cold plate, power board), rack system (copper, UQD), CDU system, high-speed connectivity (optical modules, high-speed copper cables).

■ **Maintain BUY with new TP of HK\$40.89.** Our new SOTP-based TP of HK\$40.89 implies 19.3x FY24E P/E. Maintain BUY. Near-term catalysts include iPhone 16 event, and NEV/AI server product launches.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	107,186	129,957	171,675	190,266	208,631
YoY growth (%)	20.4	21.2	32.1	10.8	9.7
Net profit (RMB mn)	1,857.6	4,041.4	4,357.7	6,226.6	7,897.9
YoY growth (%)	(19.6)	117.6	7.8	42.9	26.8
EPS (Reported) (RMB)	0.82	1.79	1.93	2.76	3.51
Consensus EPS (RMB)	-	-	2.22	2.92	3.45
P/E (x)	30.6	14.1	13.0	9.1	7.2
P/B (x)	2.2	1.9	3.1	2.5	2.0
Yield (%)	0.7	2.1	2.3	3.3	4.2
ROE (%)	7.5	14.7	18.3	30.4	31.1
Net gearing (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$40.89
(Previous TP)	HK\$45.28)
Up/Downside	47.9%
Current Price	HK\$27.65

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Stock Data

Mkt Cap (HK\$ mn)	62,301.1
Avg 3 mths t/o (HK\$ mn)	333.0
52w High/Low (HK\$)	40.00/23.60
Total Issued Shares (mn)	2253.2

Source: FactSet

Shareholding Structure

Golden Link Worldwide Ltd	65.8%
Gold Dragonfly Ltd	5.0%

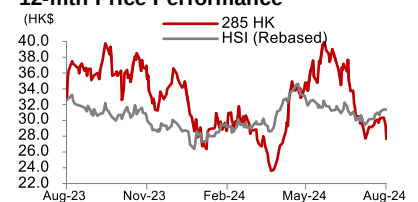
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-9.3%	-12.1%
3-mth	-19.2%	-16.0%
6-mth	-6.6%	-13.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

1) 1H24E preview: Expect solid growth on iPad/ iPhone cycle, Android recovery and NEV orders – 29 Jul 2024 ([link](#))

2) CMBI Corp Day takeaways: iPad/iPhone cycle, NEV, AI servers and robotics – 2 Jul 2024 ([link](#))

3) 1Q24 solid on track; Android recovery, Jabil synergy, high-end NEV and AI servers the bright spots – 2 May 2024 ([link](#))

4) Reiterate BUY on multiple growth drivers in 2024 – 29 Mar 2024 ([link](#))

2Q24 Results review

Figure 1: 1H24 results review

RMB mn	1H23	2H23	1H24	YoY	CMBI		Consensus	
					1H24E	Diff (%)	1H24E	Diff (%)
Revenue	56,180	73,777	78,581	40%	74,361	6%	75,922	4%
Gross profit	4,409	6,025	5,379	22%	5,812	-7%	5,775	-7%
Operating profit	1,029	2,676	1,208	17%	1,670		-	
Net profit	1,516	2,526	1,518	0.1%	1,910	-21%	1,784	-15%
EPS (RMB)	0.67	1.12	0.67	0.1%	0.85		0.67	1%
Gross margin	7.8%	8.2%	6.8%	-1ppt	7.8%	-1ppt	7.6%	-0.8ppt
Operating margin	1.8%	3.6%	1.5%	-0.3ppt	2.2%			
Net margin	2.7%	3.4%	1.9%	-0.8ppt	2.6%	-0.6ppt	2.3%	-0.4ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: 2Q24 results review

RMB mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	YoY	QoQ
Revenue	26,375	29,805	35,964	37,813	36,480	42,100	60%	15%
Gross profit	2,030	2,379	3,494	2,532	2,509	2,870	41%	14%
Net profit	459	1057	1528	998	610	907	98%	49%
EPS (RMB)	0.20	0.47	0.68	0.44	0.27	0.40	102%	49%
Gross margin	7.7%	8.0%	9.7%	6.7%	6.9%	6.8%	-0.9 ppt	-0.1 ppt
Net margin	1.7%	3.5%	4.2%	2.6%	1.7%	2.2%	0.4 ppt	0.5 ppt
Revenue (YoY)	26.0%	30.9%	31.0%	4.9%	38.3%	41.3%		
Gross profit (YoY)	77.4%	101.0%	94.5%	13.7%	23.6%	20.7%		
Net profit (YoY)	154.9%	132.9%	153.4%	60.7%	33.0%	-14.1%		

Source: Company data, Bloomberg, CMBIGM estimates

Earnings Revision

Figure 3: Earnings revision

(RMB mn)	New			Old			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	171,675	190,266	208,631	171,957	192,691	218,831	-0.2%	-1.3%	-4.7%
Gross profit	12,924	15,776	18,615	13,566	16,203	19,490	-4.7%	-2.6%	-4.5%
Operating profit	4,124	6,263	8,184	4,984	6,839	8,658	-17.2%	-8.4%	-5.5%
Net profit	4,358	6,227	7,898	5,063	6,899	8,477	-13.9%	-9.8%	-6.8%
EPS (RMB)	1.93	2.76	3.51	2.25	3.06	3.76	-13.9%	-9.8%	-6.8%
Gross margin	7.5%	8.3%	8.9%	7.9%	8.4%	8.9%	-0.4 ppt	-0.1 ppt	0 ppt
Operating margin	2.4%	3.3%	3.9%	2.9%	3.5%	4.0%	-0.5 ppt	-0.3 ppt	0 ppt
Net margin	2.5%	3.3%	3.8%	2.9%	3.6%	3.9%	-0.4 ppt	-0.3 ppt	-0.1 ppt

Source: Company data, CMBIGM estimates

Figure 4: CMBI estimates vs consensus

(RMB mn)	CMBI			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	171,675	190,266	208,631	169,620	187,397	204,213	1.2%	1.5%	2.2%
Gross profit	12,924	15,776	18,615	14,262	16,716	18,658	-9.4%	-5.6%	-0.2%
Operating profit	4,124	6,263	8,184	5,356	7,018	8,385	-23.0%	-10.8%	-2.4%
Net profit	4,358	6,227	7,898	4,981	6,552	7,779	-12.5%	-5.0%	1.5%
EPS (RMB)	1.93	2.76	3.51	2.22	2.92	3.45	-13.1%	-5.4%	1.5%
Gross margin	7.5%	8.3%	8.9%	8.4%	8.9%	9.1%	-0.9 ppt	-0.6 ppt	-0.2 ppt
Operating margin	2.4%	3.3%	3.9%	3.2%	3.7%	4.1%	-0.8 ppt	-0.5 ppt	-0.2 ppt
Net Margin	2.5%	3.3%	3.8%	2.9%	3.5%	3.8%	-0.4 ppt	-0.2 ppt	0 ppt

Source: Bloomberg, CMBIGM estimates

Earnings Forecasts

Figure 5: Revenue breakdown

(RMB mn)	FY23	1H24	2H24E	FY24E	FY25E	FY26E
Assembly	83,783	48,057	57,650	101,150	107,060	108,760
... YoY	23%	33.3%	20.8%	21%	6%	2%
Component (metal/glass/plastic)	13,637	15,246	20,827	36,073	39,638	44,005
... YoY	-4%	205.8%	140.7%	165%	10%	11%
Metal	6,208	2,706	2,706	5,412	5,571	5,662
Plastic	2,803	1,132	1,755	2,887	3,232	3,555
Glass/ceramic	5,143	1,148	4,190	5,338	8,100	8,910
Jabil component	-	7,668	11,502	19,170	21,511	24,524
New intelligent	18,441	7,521	8,026	15,547	17,101	18,812
... YoY	21%	-16.4%	-15.0%	-16%	10%	10%
AI server	-	-	1,000	1,000	6,000	10,000
E-cigarette	2,062	473	1,693	2,165	2,273	2,387
Household energy storage	2,775	444	1,776	2,220	2,442	2,686
Other new intelligent products	13,604	6,605	3,557	10,162	6,386	3,738
Auto intelligent	14,096	7,757	11,148	18,905	26,467	37,054
... YoY	52%	26%	40%	34%	40%	40%
Total	129,957	78,581	97,651	171,675	190,266	208,631
... YoY	21%	40%	32%	32%	11%	10%

Source: Company data, CMBIGM estimates

Figure 6: P&L forecast

(RMB mn)	FY23	1H24E	2H24E	FY24E	FY25E	FY26E
Revenue	129,957	78,581	97,651	171,675	190,266	208,631
... YoY	21.2%	39.9%	32.4%	32.1%	10.8%	9.7%
Cost of sales	(119,523)	(73,202)	(90,106)	(158,751)	(174,490)	(190,016)
Gross profit	10,434	5,379	7,545	12,924	15,776	18,615
GPM (%)	8.0%	6.8%	7.7%	7.5%	8.3%	8.9%
... YoY	64.3%	22.0%	25.2%	23.9%	22.1%	18.0%
SG&A	(2,007)	(1,698)	(1,894)	(3,593)	(3,615)	(3,964)
... % of rev	2%	2%	2%	2%	2%	2%
R&D	(4,722)	(2,473)	(2,734)	(5,207)	(5,898)	(6,468)
... % of rev	4%	3%	3%	3%	3%	3%
Operating profit	3,705	1,208	2,916	4,124	6,263	8,184
OPM (%)	3%	2%	3%	2%	3%	4%
... YoY	506%	17%	9%	11%	52%	31%
Net profit	4,041	1,518	2,840	4,358	6,227	7,898
NPM (%)	3.1%	1.9%	2.9%	2.5%	3.3%	3.8%
... YoY	118%	0.1%	12%	8%	43%	27%

Source: Company data, CMBIGM estimates

Valuation

Maintain BUY with new TP of HK\$40.89

We maintain BUY and derive our TP based on SOTP valuation to reflect BYDE's business diversification with different growth profiles and visibility.

Our new TP of HK\$40.89 is based on a weighted-average target P/E multiple of 19.2x FY24E PE. We assign 18x P/E to its assembly EMS business, 18x for Jabil iPhone casing and 20x P/E for component business, in line with TW/HK-listed peers, given Android's business margin recovery and Apple's business expansion. We assign 20x for new intelligent and NEV segments to reflect their growth potential and higher earnings visibility.

Figure 7: BYDE – SOTP valuation

Business segment	% of FY24E Profit	FY24E EPS (RMB)	Target P/E
Assembly	21%	0.40	18x
Components	19%	0.36	20x
Jabil Components	19%	0.37	18x
Masks	0%	0	8x
New Intelligent	17%	0.33	20x
Auto intelligent	25%	0.48	20x
Others	0%	0	10x
Total (RMB) /Implied P/E		1.93	19.2x
TP (HK\$)			40.89

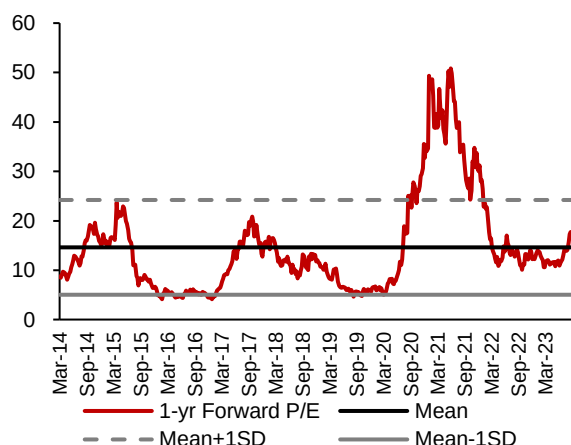
Source: Company data, CMBIGM estimates

Figure 8: Peers' valuation

Company	Ticker	Rating	Market Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY24E	P/E (x) FY25E	P/B (x) FY24E	P/B (x) FY25E	ROE (%) FY24E	ROE (%) FY25E
BYDE	285 HK	BUY	7,995	27.65	40.89	48%	13.0	9.1	3.1	2.5	18.3	30.4
Tongda	698 HK	BUY	95	0.08	0.13	74%	4.8	3.5	0.1	0.1	2.2	2.9
AAC Tech	2018 HK	BUY	5,122	33.30	37.8	14%	21.2	17.0	1.5	1.4	7.0	8.2
TK Group	2283 HK	BUY	184	1.72	2.8	64%	5.1	4.0	0.8	0.7	15.2	17.4
Ju Teng	3336 HK	NR	166	1.08	NA	NA	-	-	-	-	-	-
Everwin	300115 CH	NR	2,171	11.39	NA	NA	19.8	16.5	2.1	1.9	11.1	11.6
Lens Tech	300433 CH	NR	11,823	16.83	NA	NA	21.8	16.9	1.7	1.6	8.0	9.7
Foxconn	2354 TT	NR	3,035	68.50	NA	NA	23.8	23.3	0.6	0.6	3.8	3.8
Catcher	2474 TT	NR	5,051	237.00	NA	NA	11.9	15.0	1.0	1.0	8.4	6.4
Average							14.9	13.0	1.3	1.2	10.3	11.2

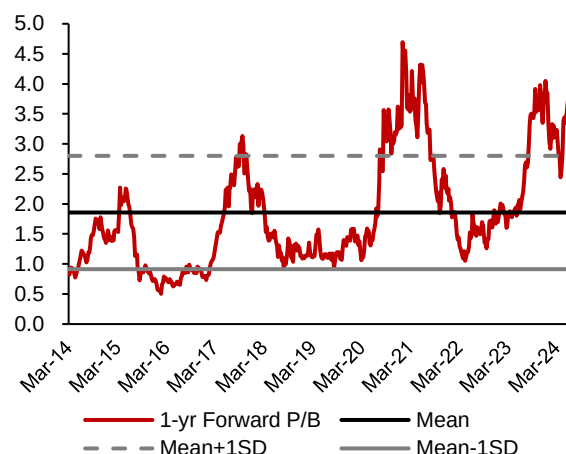
Source: Bloomberg, CMBIGM estimates

Figure 9: 12M forward P/E band



Source: Bloomberg, CMBIGM estimates

Figure 10: 12M forward P/B band



Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	89,057	107,186	129,957	171,675	190,266	208,631
Cost of goods sold	(83,028)	(100,836)	(119,523)	(158,751)	(174,490)	(190,016)
Gross profit	6,029	6,350	10,434	12,924	15,776	18,615
Selling expense	(275)	(535)	(720)	(1,928)	(1,903)	(2,086)
Admin expense	(1,041)	(1,235)	(1,288)	(1,665)	(1,712)	(1,878)
R&D expense	(3,308)	(3,969)	(4,722)	(5,207)	(5,898)	(6,468)
Operating profit	1,405	611	3,705	4,124	6,263	8,184
Other income/expense	1,104	1,386	1,165	1,202	1,202	1,202
Pre-tax profit	2,465	1,939	4,681	4,863	7,157	9,078
Income tax	(155)	(81)	(640)	(505)	(930)	(1,180)
Minority interest	0	0	0	0	0	0
Net profit	2,310	1,858	4,041	4,358	6,227	7,898
Adjusted net profit	2,310	1,858	4,041	4,358	6,227	7,898

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	27,630	40,488	54,607	44,988	61,599	52,272
Cash & equivalents	2,825	6,244	10,537	10,002	9,877	9,732
Account receivables	9,240	10,471	23,011	11,324	26,730	14,997
Inventories	10,567	17,046	18,541	21,146	22,476	25,027
ST bank deposits	0	0	0	0	0	0
Other current assets	4,998	6,727	2,517	2,517	2,517	2,517
Non-current assets	12,314	15,006	29,647	41,233	44,526	47,943
PP&E	11,182	12,941	19,709	18,849	22,472	26,230
Deferred income tax	201	481	620	620	620	620
Other non-current assets	931	1,583	9,318	21,763	21,434	21,092
Total assets	41,175	56,994	87,219	90,345	110,579	105,010
Current liabilities	16,220	30,143	54,751	59,119	74,994	63,896
Short-term borrowings	0	0	0	0	0	0
Account payables	11,724	22,002	29,939	18,907	34,782	23,684
Tax payable	184	363	607	607	607	607
Other current liabilities	4,312	7,777	24,204	39,604	39,604	39,604
Non-current liabilities	928	1,216	3,138	3,138	3,138	3,138
Deferred income	150	231	290	290	290	290
Other non-current liabilities	404	395	1,206	1,206	1,206	1,206
Total liabilities	17,148	31,359	57,888	62,256	78,131	67,033
Share capital	4,052	4,052	4,052	4,052	4,052	4,052
Other reserves	19,975	21,583	25,278	14,229	18,588	24,117
Total shareholders equity	24,027	25,635	29,330	18,282	22,641	28,169
Minority interest	0	0	0	0	0	0
Total equity and liabilities	41,175	56,994	87,219	80,538	100,772	95,203

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,465	1,939	4,681	4,863	7,157	9,078
Depreciation & amortization	1,717	1,987	2,315	2,747	3,227	3,753
Change in working capital	(2,228)	2,568	(6,098)	(1,949)	(861)	(1,916)
Others	(187)	(124)	(346)	(42)	(622)	(872)
Net cash from operations	1,768	6,370	552	5,620	8,900	10,043
Investing						
Capital expenditure	(3,206)	(3,859)	(4,678)	(6,180)	(6,850)	(7,511)
Others	0	0	0	(13,605)	0	0
Net cash from investing	(3,206)	(3,859)	(4,678)	(19,785)	(6,850)	(7,511)
Financing						
Dividend paid	(232)	(372)	(1,212)	(1,307)	(1,868)	(2,369)
Others	(43)	(59)	(189)	14,937	(308)	(308)
Net cash from financing	(275)	(430)	(1,401)	13,630	(2,176)	(2,677)
Net change in cash						
Cash at the beginning of the year	3,466	2,825	6,244	10,537	10,002	9,877
Exchange difference	1,072	1,337	9,821	0	0	0
Cash at the end of the year	2,825	6,244	10,537	10,002	9,877	9,732
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	21.8%	20.4%	21.2%	32.1%	10.8%	9.7%
Gross profit	(37.4%)	5.3%	64.3%	23.9%	22.1%	18.0%
Operating profit	(75.8%)	(56.5%)	506.5%	11.3%	51.9%	30.7%
Net profit	(57.5%)	(19.6%)	117.6%	7.8%	42.9%	26.8%
Adj. net profit	(57.5%)	(19.6%)	117.6%	7.8%	42.9%	26.8%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	6.8%	5.9%	8.0%	7.5%	8.3%	8.9%
Operating margin	1.6%	0.6%	2.9%	2.4%	3.3%	3.9%
Adj. net profit margin	2.6%	1.7%	3.1%	2.5%	3.3%	3.8%
Return on equity (ROE)	10.0%	7.5%	14.7%	18.3%	30.4%	31.1%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
Current ratio (x)	1.7	1.3	1.0	0.8	0.8	0.8
Receivable turnover days	48.4	33.6	33.5	36.5	36.5	36.5
Inventory turnover days	38.4	50.0	50.0	45.6	45.6	45.6
Payable turnover days	43.7	61.0	60.8	56.2	56.2	56.2
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	24.6	30.6	14.1	13.0	9.1	7.2
P/B	2.4	2.2	1.9	3.1	2.5	2.0
Div yield (%)	0.4	0.7	2.1	2.3	3.3	4.2
EV	24,027.1	25,635.1	29,330.4	18,281.6	22,640.5	28,169.4
EV/Sales	0.3	0.2	0.2	0.1	0.1	0.1

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

Disclosures & Disclaimers

Analyst Certification

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