

18 Oct, 2024

CDOT | 00334.HK

Too early to be optimistic

STOCK RATING

NR

TARGET PRICE

HK\$ -

Stagnant sales volume in Q2 and a potential rebound in 2H: CDOT (00334.HK) recorded RMB 909.3mn revenue in 2024 Q2, implying a YoY 43.3% increment. The shipping volume (incl. processing modules) dropped YoY 25.5% to 9.0mn units, partially offsetting a YoY 92.2% increase in the ASP. The sales volume of display modules declined YoY 29.1% to 8.2mn units, of which the sales volume of display modules for smartphones plunged YoY 51.0% to 5.7mn units, accounting for 63.2% of total sales volume. The sales volume of smartphone modules was fragile in Q2 due to the stock clearance of a major customer and the loss of a key customer. However, the order visibility of the major customer remains relatively stable in the 2H, and the Group successfully gained new orders from a Chinese manufacturer on a project base, bringing the Group a potential rebound in 2024 2H.

Exploration of display modules for tablets and learning devices markets: Thanks to the support from CSOT on mid-size panels, contributions from the sales of display modules for tablets and learning devices were material in 2024 1H. Revenue generated from the sales of display modules for tablets and learning devices climbed further to 31.3% of total revenue in 2024 Q2. An exploration of new markets brought the Group a new income source, offsetting the pressure brought by the smartphone market. However, the contribution from these products may be volatile due to the longer product cycle.

Profit margin remains our primary concern: The gross margin of CDOT (00334.HK) plunged further to 3.8% in 2024 1H, and it was a result of i) the pressure brought by the smartphone manufacturers, and ii) the growing contribution of the sales of display modules for tablets and learning devices. The net margin, thus, was squeezed to 0.4% in 2024 1H. Profit margin remains our primary concern about the operation, a thin profit margin slashes the ability to withstand small market fluctuations. More importantly, the bargaining power of the Group is weak, a similar amount was added to the sales of each display module, implying that the profitability doesn't improve together with an expansion of business lines.

Too early to be optimistic: CDOT (00334.HK) incurred a loss, again, in the operating profit, the sales volume will be the key to bring the Group a profit in the short term. However, despite a revaluation of the market, we believe that only drivers like i) a new business, ii) a means to improve the bargaining power and profit margin can bring the Group a material turnaround in the future.

COMPANY NOTE

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CDOT (00334.HK)
Stock Rating **NR**
Target Price **HK\$ -**

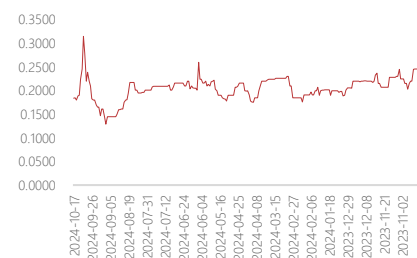
Current Price 0.184

52-Week Range HK\$ 0.129 – 0.370

Market cap. (HKD, bn) HK\$ 0.4

RMB, mn	2020	2021	2022	2023
	(A)	(A)	(A)	(A)
Revenue	3,571.2	5,840.1	4,208.4	2,576.8
Gross Profit	279.0	494.6	343.7	174.1
Gross Margin	7.8%	8.5%	8.2%	6.8%
Net Profit	6.3	199.7	169.0	13.1
ROE	0.8%	25.2%	18.5%	1.3%

Performance	1 mth	3 mth	6 mth	1 year
Absolute	25.2%	-12.0%	-7.5%	-25.2%
Relative to HSI	10.3%	-26.3%	-32.4%	-39.3%



Peers comparison

		Mkt. Cap.	P/E	Fw. P/E	P/B	P/S	Revenue	GM	ROE
		(HKD, mn)	(x)	(x)	(x)	(x)	(HKD, mn)	(%)	(%)
00285.HK	BYD Electronic	71,313.9	16.2	12.8	2.2	0.4	143,673.3	8.0	14.3
00732.HK	Truly	3,414.0	12.7	-	0.4	0.2	15,588.1	8.5	2.9
000050.CH	Tianma	19,720.4	-	-	0.7	0.6	35,677.4	6.8	(4.1)
000725.CH	BOE	166,874.7	38.8	20.3	1.2	0.8	192,965.6	12.6	3.1
002217.CH	Holitech	4,456.7	-	-	-	2.1	5,119.1	(3.7)	-
002387.CH	Visionox	11,907.8	-	-	1.6	1.5	6,551.2	(35.3)	(38.7)
002845.CH	Shenzhen TXD	4,584.2	76.7	-	1.6	0.5	9,412.6	8.1	2.1
	<i>Average</i>	<i>40,324.5</i>	<i>36.1</i>	<i>16.6</i>	<i>1.3</i>	<i>0.9</i>	<i>58,426.8</i>	<i>0.7</i>	<i>(3.4)</i>
00334.HK	CDOT	389.0	13.0	-	0.4	0.1	2,848.8	6.8	2.7

Source: Bloomberg, West Bull Securities

Risk factors

- Smartphone market remains weak
- Loss of key customers
- Fragile to the market fluctuations due to the low profit margin
- Low bargaining power on the price
- Unable to infuse a new growing momentum

Financial Statement

PnL					Balance Sheet				
(RMB, mn)	2020 (A)	2021 (A)	2022 (A)	2023 (A)	(RMB, mn)	2020 (A)	2021 (A)	2022 (A)	2023 (A)
Revenue	3,571.2	5,840.1	4,208.4	2,576.8	PPE	898.4	443.5	582.1	722.6
<i>YoY growth</i>	-34.5%	63.5%	-27.9%	-38.8%	Others	94.9	89.7	93.3	89.9
COGS	(3,292.2)	(5,345.5)	(3,864.6)	(2,402.8)	Non-current assets	993.4	533.3	675.4	812.5
Gross profit	279.0	494.6	343.7	174.1	Inventories	608.5	405.6	135.1	200.6
Other income	27.9	43.9	70.1	86.7	Trade receivables	1,012.6	824.7	730.9	542.4
Operating expenses	(224.8)	(316.0)	(244.5)	(241.8)	Cash & cash equivalents	416.7	1,053.4	279.0	23.2
Operating profit	82.1	222.5	169.4	19.0	Others	83.4	70.0	759.8	953.1
Finance expenses	(4.0)	(2.6)	(1.6)	(0.7)	Current assets	2,121.3	2,353.8	1,904.8	1,719.4
JV & Ass.	-	-	-	-	Total assets	3,114.7	2,887.1	2,580.2	2,531.9
Profit before tax	78.1	219.9	167.7	18.3	LT borrowings	48.8	2.0	59.5	-
Tax	(23.6)	(53.4)	1.3	(5.3)	Others	41.8	15.4	16.1	12.6
Net profit	54.5	166.5	169.0	13.1	Non-current liabilities	90.6	17.4	75.6	12.6
<i>YoY growth</i>	14.8%	205.4%	1.5%	-92.3%	Trade payables	1,391.3	1,477.8	1,072.6	1,049.9
					ST borrowings	178.4	76.2	2.8	3.2
					Others	703.9	484.1	428.9	456.7
					Current liabilities	2,273.6	2,038.1	1,504.4	1,509.8
					Total liabilities	2,364.2	2,055.6	1,580.0	1,522.4
					Non-controlling interests	111.4	-	-	-
					Controlling interests	639.1	831.5	1,000.2	1,009.4
					Total equities	750.5	831.5	1,000.2	1,009.4

Cash Flow					Financial Ratio				
(RMB, mn)	2020 (A)	2021 (A)	2022 (A)	2023 (A)		2020 (A)	2021 (A)	2022 (A)	2023 (A)
Profit before tax	78.1	219.9	167.7	18.3	Gross margin	7.8%	8.5%	8.2%	6.8%
Finance expenses	7.4	2.6	1.6	0.7	Operating margin	2.3%	3.8%	4.0%	0.7%
Finance income	(8.6)	(21.2)	(20.1)	(35.3)	Net profit margin	0.2%	3.4%	4.0%	0.5%
D&A	171.3	137.9	66.7	79.2	Adj. EBITDA profit margin	4.1%	4.5%	4.2%	1.1%
Others	(64.5)	3.9	(3.3)	8.9	Return on Equity	0.8%	25.2%	18.5%	1.3%
Change in working capital	1,175.1	257.1	(83.2)	25.6	Return on Asset	0.2%	6.7%	6.2%	0.5%
CFO	1,358.9	600.3	129.5	97.4	Current ratio	93.3%	115.5%	126.6%	113.9%
					Quick ratio	66.5%	95.6%	117.6%	45.5%
CAPEX	(210.8)	(239.7)	(170.9)	(152.0)	Cash ratio	18.3%	51.7%	18.5%	1.5%
Others	10.0	286.5	(716.4)	(156.3)	Debt-to-Equity ratio	30.3%	9.4%	6.2%	0.3%
CFI	(200.8)	46.8	(887.3)	(308.3)	Net Debt-to-Equity ratio	-25.3%	-117.3%	-21.7%	-2.0%
					Inventory turnover days	46.5	34.6	25.5	25.5
Shares issuance	-	0.1	-	-	Receivable turnover days	146.9	57.4	67.5	90.2
Net borrowings	(814.1)	21.0	(15.9)	(59.2)	Payable turnover days	122.3	98.0	120.4	161.2
Interest expenses	(7.5)	(16.0)	(1.6)	(0.7)					
Dividend paid	-	-	-	-					
Others	(14.0)	(13.9)	(15.8)	(4.8)					
CFF	(835.6)	(8.8)	(33.4)	(64.6)					
FCFE	335.4	665.9	(106.6)	(110.1)					
FCFF	1,154.8	657.0	(89.1)	(50.5)					

Source: Company data, West Bull Securities

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