

BYD Electronics (285 HK)

CMBI Tech Corporate Day takeaways

We invited BYDE mgmt. to CMBI Tech Corporate Day and the meeting mainly focused on business outlook on OEM biz, iPad order wins and e-cigarette product pipeline. Mgmt. reiterated RMB100bn revenue target in FY21E, with 40%/40-50% mix from Apple/Android clients. Apple OEM biz and e-cigarette mass production are on track to ramp in 2H21E, following a slower 2Q21E due to India COVID-19 and chip shortage. Overall, we remain positive on BYDE as the major beneficiary of industry consolidation, Apple/Xiaomi's supplier diversification, and expansion into fast-growing e-cigarette market. Reiterate BUY with TP HK\$55.0.

- RMB100bn revenue target intact; Android demand to recover in 2H21E.**
 The company guided RMB100bn revenue in FY21E, backed by Apple OEM/component share gain (40% of rev), stable Android OEM/casing (40-50%) and e-cigarette expansion. BYDE expanded major OEM client bases from two to three in FY21E, and expected rapid shipment growth from new Honor, Xiaomi and iPad in 2H21E after recent disruptions of India COVID-19 and chip shortage. As for GPM, mgmt. guided stable margin for metal/glass casing and OEM biz, while plastic casing will remain under pressure given Huawei impact. Overall, mgmt. expect GPM to improve QoQ sequentially with Korean/US clients' order ramp, Android flagship model launch, and smart intelligent segment growth in 2H21E.
- e-cigarette on track to ramp in 2H21E; Recent policy to benefit BYDE.**
 Mgmt. stated that 40 automated production lines for e-cigarette products have been installed, and total shipment can reach 4mn per day at full utilization (30% of market demand). BYDE believed recent tighter govt. regulations on e-cigarette industry will raise entry barrier and benefit leaders with strong R&D capability. Mgmt. is positive on its e-cigarette segment given low market penetration with rapid growth, strong self-developed patent portfolio and supplier diversification of major customers. We conservatively estimate e-cigarette sales of RMB2.0bn/2.6bn in FY21/22E (RMB10bn sales for Smoore in FY20).
- Multiple growth drivers; Reiterate BUY.** We remain positive on BYDE's product roadmap, share gain in major brands and expansion into e-cigarette segment. Our SOTP-based TP of HK\$55.0 implies an undemanding valuation of 17.9x FY21E P/E. Catalysts include faster share gain, stronger e-cigarette and Xiaomi/Apple product launches.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	53,028	73,121	102,033	122,932	151,077
YoY growth (%)	29.2	37.9	39.5	20.5	22.9
Net income (RMB mn)	1,598	5,441	5,756	6,404	7,448
EPS (RMB)	0.71	2.41	2.55	2.84	3.31
YoY growth (%)	(25.5)	240.6	5.8	11.3	16.3
Consensus EPS (RMB)	NA	NA	2.08	2.68	3.30
P/E (x)	58.7	17.2	16.3	14.6	12.6
P/B (x)	8.0	6.2	5.0	4.1	3.4
Yield (%)	0.2	0.6	0.6	0.7	0.8
ROE (%)	9.4	24.9	21.3	19.5	18.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$55.0
(Previous TP)	HK\$55.0)
Up/Downside	+10%
Current Price	HK\$50.15

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Stock Data

Mkt. Cap. (HK\$m)	112,998
Avg. 3mths t/o (HK\$m)	557.81
52W High/Low (HK\$)	63.10/ 15.90
Total Issued Shares (mn)	2,253

Source: Bloomberg

Shareholding Structure

Golden Link Worldwide Ltd	65.76%
Gold Dragonfly Ltd	4.98%
Vanguard Group Inc	1.24%

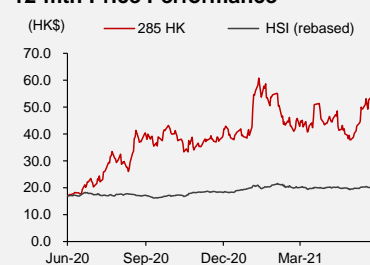
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	32.5%	29.7%
3-mth	17.0%	17.8%
6-mth	27.6%	16.8%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young

Related reports:

- Expect margin pressure to ease ahead; Maintain BUY – 30 Apr 2021
- FY20 in-line; Reiterate BUY with multiple drivers ahead - 31 Mar 2021
- Partnership with Xiaomi to fuel new wave of growth – 6 Nov 2020

Figure 1: Revenue breakdown

RMB mn	FY19	FY20	FY21E	FY22E	FY23E
Assembly	26,847	31,152	60,000	74,000	92,000
... YoY	53%	16%	93%	23%	24%
Phone and PC component	18,562	17,576	20,452	23,587	27,484
... YoY	3%	-5%	16%	15%	17%
Metal	13,000	10,996	5,476	8,785	9,526
Plastic	3,512	4,566	1,415	3,687	3,687
Glass/ceramic	1,500	3,000	1,725	7,980	10,374
Mask	-	12,100	3,388	1,694	847
... YoY			-72%	-50%	-50%
E-cigarette	-	1,000	2,000	2,600	3,380
... YoY			100%	30%	30%
New intelligent products	6,025	9,476	13,740	17,862	23,221
... YoY	39%	57%	45%	30%	30%
Auto intelligent systems	1,594	1,817	2,453	3,189	4,145
... YoY	34%	14%	35%	30%	30%
Total	53,028	73,121	102,033	122,932	151,077
... YoY	29%	38%	40%	20%	23%

Source: Company data, CMBIS estimates

Figure 2: P&L forecast

RMB mn	FY19	FY20	FY21E	FY22E	FY23E
Revenue	53,028	73,121	102,033	122,932	151,077
... YoY	29.2%	37.9%	39.5%	20.5%	22.9%
Cost of sales	(49,071)	(63,492)	(91,369)	(110,654)	(136,290)
Gross profit	3,957	9,629	10,664	12,279	14,788
GPM (%)	7%	13%	10%	10%	10%
... YoY	-5.1%	143.3%	10.7%	15.1%	20.4%
SG&A	(876)	(910)	(1,020)	(1,106)	(1,360)
... % of rev	2%	1%	1%	1%	1%
R&D	(2,088)	(2,913)	(3,877)	(4,671)	(5,741)
... % of rev	4%	4%	4%	4%	4%
Operating profit	994	5,806	5,766	6,501	7,687
OPM (%)	2%	8%	6%	5%	5%
... YoY	-45%	484%	-1%	13%	18%
Net profit	1,598	5,441	5,756	6,404	7,448
NPM (%)	3%	7%	6%	5%	5%
... YoY	-26%	241%	6%	11%	16%

Source: Company data, CMBIS estimates

Valuation

Reiterate BUY with TP HK\$ 55.0

We maintain Buy with TP HK\$ 55.0, as we are positive on share gain with Xiaomi/Apple and stronger e-cigarette sales. We derive our TP based on SOTP valuation to reflect BYDE's business diversification with different growth profiles and visibility.

Our TP is based on weighted-average target P/E multiple of 17.9x FY21E EPS. We assign 15x P/E to its assembly EMS business and 20x P/E for component/e-cigarette business, in-line with TW/HK-listed peers. We assign lower 8x for mask business to reflect its near-term growth potential amid COVID-19 outbreak.

Figure 3: BYDE – SOTP valuation

Business segment	% of FY21E Profit	FY21E EPS (RMB)	Target P/E
Assembly	16%	0.41	15x
Components	36%	0.93	20x
Masks	11%	0.28	8x
Others (smart, auto)	37%	0.93	20x
Total (RMB) /Implied P/E		2.55	17.9x
TP (HK\$)			55.0

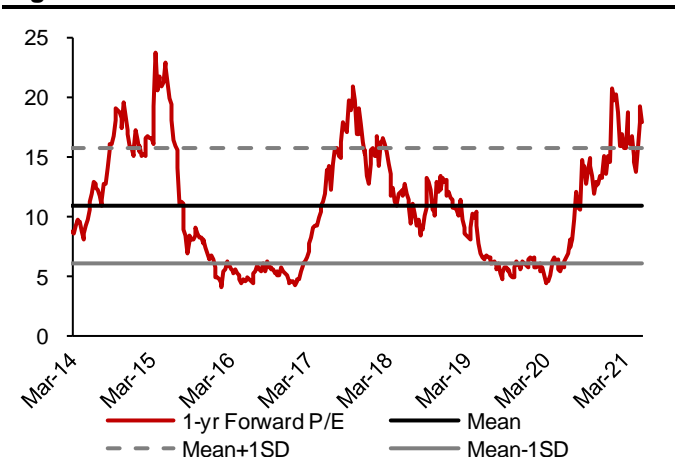
Sources: Company data, CMBIS estimates

Figure 4: Peers' valuation

Company	Ticker	Rating	Market Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)		
							FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	
BYDE	285 HK	Buy	14,557	50.15	55.0	10%	16.3	14.6	5.0	4.1	21.2	19.5	
Tongda	698 HK	Buy	417	0.50	0.56	12%	6.3	5.6	0.5	0.4	7.7	7.7	
AAC Tech	2018 HK	Hold	8,594	55.20	45.3	-18%	32.8	18.6	2.6	2.2	8.0	12.3	
TK Group	2283 HK	Buy	316	2.94	4.1	39%	4.5	6.1	1.9	1.3	41.7	21.6	
Ju Teng	3336 HK	NR	254	1.64	NA	NA	5.3	5.6	0.3	0.3	6.1	5.3	
Everwin	300115 CH	NR	3,317	17.69	NA	NA	20.6	14.6	2.8	2.4	13.7	16.6	
Lens Tech	300433 CH	NR	21,738	28.00	NA	NA	20.1	16.0	2.9	2.6	15.0	16.4	
Foxconn	2354 TT	NR	3,326	65.00	NA	NA	11.8	11.2	0.9	0.9	6.6	-	
Catcher	2474 TT	NR	4,932	179.00	NA	NA	12.3	11.0	0.8	0.8	6.8	7.3	
Average								14.6	11.6	1.8	1.5	13.1	13.3

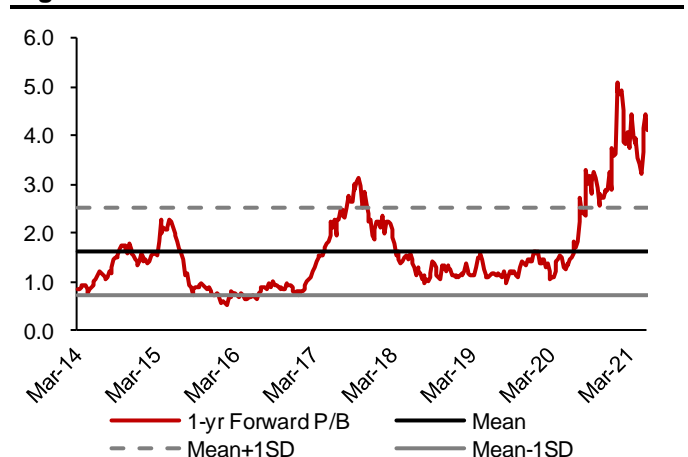
Source: Bloomberg, CMBIS estimates, *TP under review

Figure 5: 12M forward P/E band



Source: Bloomberg, CMBIS estimates

Figure 6: 12M forward P/B band



Source: Bloomberg, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	53,028	73,121	102,033	122,932	151,077
COGS	(49,071)	(63,492)	(91,369)	(110,654)	(136,290)
Gross profit	3,957	9,629	10,664	12,279	14,788
Selling and marketing	(257)	(237)	(306)	(369)	(453)
Administrative	(619)	(673)	(714)	(738)	(906)
R&D	(2,088)	(2,913)	(3,877)	(4,671)	(5,741)
Other operating exp.	-	-	-	-	-
Operating profit	994	5,806	5,766	6,501	7,687
Financial cost	(31)	(71)	(71)	(71)	(71)
Other income/(losses)	734	487	846	848	848
Pre-tax profit	1,696	6,221	6,541	7,278	8,464
Tax	(99)	(779)	(785)	(873)	(1,016)
Minority interest	-	-	-	-	-
Net profit	1,598	5,441	5,756	6,404	7,448

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Profit before taxation	1,696	6,221	6,541	7,278	8,464
Depreciation	2,157	2,442	2,839	3,318	3,907
Change in working capital	(3,596)	(1,499)	(1,979)	1,070	(5,909)
Others	(20)	(708)	(714)	(802)	(944)
Net cash from operating	237	6,455	6,687	10,864	5,517
Capex	(3,140)	(2,632)	(3,673)	(4,426)	(5,439)
Other	-	-	-	-	-
Net cash from investing	(3,140)	(2,632)	(3,673)	(4,426)	(5,439)
Dividend paid	(160)	(543)	(576)	(640)	(745)
Other	(31)	(71)	(71)	(71)	(71)
Net cash from financing	(191)	(614)	(647)	(712)	(816)
Net change in cash	(3,095)	3,209	2,367	5,726	(738)
Cash at beginning of the year	4,699	1,651	4,859	7,226	12,952
Exchange difference	-	-	-	-	-
Cash at the end of the year	1,651	4,859	7,226	12,952	12,215

Balance sheet

YE 31 Dec (RMB mn)	FY19E	FY20A	FY21E	FY22E	FY23E
Current assets	17,082	25,250	34,101	39,763	51,253
Cash & equivalents	1,651	4,859	7,226	12,952	12,215
Account receivables	9,567	11,324	15,884	14,849	22,921
Inventories	5,453	8,656	10,580	11,551	15,707
Short-term bank deposits	-	-	-	-	-
Other current assets	411	411	411	411	411
Non-current assets	9,950	10,123	10,882	11,888	13,281
PPE	8,617	8,808	9,642	10,750	12,282
Deferred income tax	159	159	159	159	159
Other non-current assets	1,173	1,156	1,080	980	840
Total assets	27,032	35,374	44,982	51,651	64,534
Current liabilities	10,399	13,860	18,364	19,369	25,688
Deferred income	-	-	-	-	-
Account payables	7,340	10,801	15,305	16,311	22,629
Tax payable	108	108	108	108	108
Other current liabilities	2,951	2,951	2,951	2,951	2,951
Non-current liabilities	639	639	639	639	639
Deferred income	122	122	122	122	122
Deferred tax liability	18	18	18	18	18
Total liabilities	11,038	14,498	19,002	20,008	26,327
Share capital	4,052	4,052	4,052	4,052	4,052
Reserves	12,937	17,836	23,016	28,780	35,483
Minority interest	-	-	-	-	-
Shareholders' equity	16,989	21,888	27,068	32,832	39,535
Total equity and liabilities	28,027	36,386	46,070	52,840	65,862

Key ratios

YE 31 Dec	FY19E	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
Phone and PC components	35	24	20	19	18
Assembly services	51	43	59	60	61
Masks	-	17	3	1	1
New intelligent products	11	13	13	15	15
Auto intelligent systems	3	2	2	3	3
Growth (%)					
Revenue	29.2	37.9	39.5	20.5	22.9
Gross profit	(5.1)	143.3	10.7	15.1	20.4
Operating profit	(45.4)	484.3	(0.7)	12.7	18.2
Net profit	(25.5)	240.6	5.8	11.3	16.3
Profit & loss ratio (%)					
Gross margin	7.5	13.2	10.5	10.0	9.8
Operating margin	1.9	7.9	5.7	5.3	5.1
Net profit margin	3.0	7.4	5.6	5.2	4.9
Balance sheet ratio					
Net debt/total equity (x)	Net cash	Net cash	Net cash	Net cash	Net cash
Current ratio (x)	1.6	1.8	1.9	2.1	2.0
Receivable turnover days	58	52	49	46	46
Inventory turnover days	38	41	38	37	37
Payable turnover days	57	52	52	52	52
Profitability (%)					
ROE	9.4	24.9	21.3	19.5	18.8
ROA	5.9	15.4	12.8	12.4	11.5
Per share data (RMB)					
EPS	0.71	2.41	2.55	2.84	3.31
DPS	0.07	0.24	0.26	0.28	0.33

Source: Company data, CMBIS estimates

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