

# Maxscend (300782 CH)

## Long-term positive outlook unchanged despite short term fluctuation

Maxscend (300782 CH) announced FY21 preliminary results. FY21 net profit is expected to grow 91-101% YoY to RMB2.05bn-2.157bn, implying 4Q21 net profit of RMB576mn with 62% YoY and 12% QoQ growth. Mid-point of FY21 earnings is 2%/1% above consensus/our forecasts. Excluding one-time gain of RMB196mn, FY21 adjusted net profit will be RMB1.87bn, +81% YoY, and 4Q21 adjusted net profit will be RMB361mn, +9% YoY/-30% QoQ. Reiterate BUY.

- Company delivered a quality earning to close FY21 despite tough macro environment and extended COVID outbreak.** We noticed that 4Q adj. NP would decline 30% QoQ if excluding one-time gain. Our view: 1) Q4 is normally relatively weak comparing to Q3 for semi names; 2) the company continues to invest heavily in R&D for future products, 3) higher one-time loss due to high inventory (Android phones faced intense competition from Apple) and 4) constrained filter capacity limited company's sales. Looking forward, we may see another QoQ decline in 1Q22E, considering 1Q21 high base due to build-up inventory by OEMs during chip shortage.
- In longer term, we remain positive on Maxscend.** For FY22E, catalysts for the stock include: 1) favorable product mix as module revenue will continue growth with opportunities in top Android OEMs; 2) launch of new receiver/transmitter modules; 3) progress in new manufacturing plant: ongoing pilot production and initiation of small batch production later this year.
- Maintain BUY with TP of RMB450.0.** Our TP is based on 50x FY22E P/E. Maxscend is currently trading 1-SD below historical P/E. We believe this valuation is attractive given 1) its leading position in China's RFFE market, 2) broad in-house designed product offerings, and 3) transiting into fab-lite model to secure production capacity and take full control of its manufacturing process. We view recent weakness in stock as an attractive opportunity for investors to gain exposure to quality Chinese semi names that can ride strategic trends.
- Potential risks** include 1) slower-than-expected R&D progress and commercial launch of new products, 2) intensified competition that erode both top and bottom lines and 3) further deteriorated Marco environment.

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Turnover (RMB mn)	1,512	2,792	4,811	6,955	9,070
YoY growth (%)	170.0%	84.6%	72.3%	44.6%	30.4%
Gross margin (%)	52.5%	52.8%	57.6%	56.2%	55.1%
Net profit (RMB mn)	497	1,073	2,073	2,945	3,712
YoY growth (%)	206.3%	115.8%	93.2%	42.1%	26.0%
Diluted EPS (RMB)	3.16	3.31	6.31	8.97	11.30
Consensus EPS (RMB)	NA	NA	6.31	8.39	10.76
PE (x)	100.1	95.4	49.3	35.2	28.0
PB (x)	29.2	38.5	22.7	14.6	10.1
Yield (%)	0.3%	0.3%	0.3%	0.3%	0.3%
Roe (%)	29.2%	40.3%	45.7%	41.6%	36.3%
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

### BUY (Maintain)

Target Price	RMB450.0
(Previous TP)	RMB450.0)
Up/Downside	+42%
Current Price	RMB316.0

### China Technology Sector

**Lily Yang, Ph.D.**  
 (852) 3916 3716  
 lilyyang@cmbi.com.hk

**Alex Ng**  
 (852) 3900 0881  
 alexng@cmbi.com.hk

**Lana Lin**  
 (852) 3761 8912  
 lanalin@cmbi.com.hk

### Stock Data

Mkt Cap (RMB mn)	99,868
Avg 3 mths t/o (RMB\$ mn)	1,357
52w High/Low (RMB\$)	544.68/291.2
Total Issued Shares (mn)	333.6
Source: Bloomberg	

### Shareholding Structure

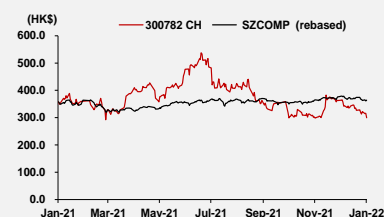
WX HUIZHI UNITED INV ENT	12.8%
Feng Chenhui	7.87%
Tang Zhuang	7.67%
Source: HKEx	

### Share Performance

	Absolute	Relative
1-mth	-13.0%	-9.2%
3-mth	-0.7%	-2.3%
6-mth	-35.0%	-35.1%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

### Auditor: BDO

### Related Reports

- "RFFE: Ubiquitous Connectivity Opens Up Immense Wireless Opportunity; Initiate BUY on Maxscend" – 7 Jan 2022

## Earnings preview

Figure 1: Quarterly results

RMBmn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	QoQ	YoY
Revenue	451	547	975	820	1,183	1,176	1,124			
Gross Profit	237	288	489	461	684	676	660			
Operating Profit	177	230	404	407	572	607	566			
Net profit	152	201	364	355	492	522	513	576	12.4%	62.2%
EPS (US\$ cents)	0.84	0.25	1.13	1.10	2.68	0.37	1.54			
Gross Margin	52.7%	52.6%	50.2%	56.3%	57.8%	57.4%	58.7%			
Operating Margin	39.2%	42.1%	41.5%	49.6%	48.4%	51.6%	50.4%			
Net Margin	33.7%	36.8%	37.4%	43.3%	41.6%	44.4%	45.6%	43.4%	-2.2 ppt	0.1 ppt

Source: Company data, CMBIS

Figure 2: Annual results

RMBmn	FY18	FY19	FY20	FY21	YoY
Revenue	560	1,512	2,792		
Gross Profit	290	793	1,475		
Operating Profit	176	563	1,218		
Net profit	162	497	1,073	2,104	96%
EPS (US\$ cents)	2.16	3.16	3.31		
Gross Margin	51.7%	52.5%	52.8%		
Operating Margin	31.5%	37.2%	43.6%		
Net Margin	29.0%	32.9%	38.4%	43.7%	5.3 ppt

Source: Company data, CMBIS

Figure 3: CMBI estimates vs consensus

US\$ mn	CMBI			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	4,811	6,955	9,070	4,859	6,801	8,842	-1%	2%	3%
Gross Profit	2,773	3,908	4,998	2,749	3,711	4,736	1%	5%	6%
Operating Profit	2,366	3,353	4,232	2,337	3,121	4,027	1%	7%	5%
Net profit	2,073	2,945	3,712	2,070	2,776	3,577	0%	6%	4%
EPS (US\$ cents)	6.31	8.97	11.30	6.31	8.39	10.76	0%	7%	5%
Gross Margin	57.6%	56.2%	55.1%	56.6%	54.6%	53.6%	1.1 ppt	1.6 ppt	1.5 ppt
Operating Margin	49.2%	48.2%	46.7%	48.1%	45.9%	45.5%	1.1 ppt	2.3 ppt	1.1 ppt
Net Margin	43.1%	42.3%	40.9%	42.6%	40.8%	40.5%	0.5 ppt	1.5 ppt	0.5 ppt

Source: Company data, CMBIS estimates

Figure 4: P&amp;L forecast

RMB mn	FY18	FY19	FY20	1Q21	2Q21	3Q21	4Q21E	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>560</b>	<b>1,512</b>	<b>2,792</b>	<b>1,183</b>	<b>1,176</b>	<b>1,124</b>	<b>1,327</b>	<b>4,811</b>	<b>6,955</b>	<b>9,070</b>
...YoY	-5.3%	170.0%	84.6%	162%	115%	15%	62%	72.3%	44.6%	30.4%
Cost of sales	270	719	1,317	499	501	465	574	2,038	3,047	4,073
<b>Gross profit</b>	<b>290</b>	<b>793</b>	<b>1,475</b>	<b>684</b>	<b>676</b>	<b>660</b>	<b>753</b>	<b>2,773</b>	<b>3,908</b>	<b>4,998</b>
...YoY	(12.4%)	173.8%	85.9%	188%	135%	35%	63%	87.9%	41.0%	27.9%
<b>GPM (%)</b>	<b>51.7%</b>	<b>52.5%</b>	<b>52.8%</b>	<b>57.8%</b>	<b>57.4%</b>	<b>58.7%</b>	<b>56.8%</b>	<b>57.6%</b>	<b>56.2%</b>	<b>55.1%</b>
SG&A	55	76	66	18	17	23	31	89	128	167
...% of rev	9.8%	5.0%	2.4%	1.5%	1.5%	2.0%	2.3%	1.8%	1.8%	1.8%
R&D	68	138	182	61	62	72	86	280	405	529
...% of rev	12.1%	9.1%	6.5%	5.1%	5.3%	6.4%	6.5%	5.8%	5.8%	5.8%
<b>Operating profit</b>	<b>176</b>	<b>563</b>	<b>1,218</b>	<b>572</b>	<b>607</b>	<b>566</b>	<b>620</b>	<b>2,366</b>	<b>3,353</b>	<b>4,232</b>
...YoY	-8.9%	219.3%	116.5%	223.7%	163.7%	40.1%	52.4%	94.2%	41.7%	26.2%
OPM (%)	31.5%	37.2%	43.6%	48.4%	51.6%	50.4%	46.7%	49.2%	48.2%	46.7%
<b>Net profit</b>	<b>162</b>	<b>497</b>	<b>1,073</b>	<b>492</b>	<b>522</b>	<b>513</b>	<b>545</b>	<b>2,073</b>	<b>2,945</b>	<b>3,712</b>
...YoY	-4.4%	206.3%	115.8%	224.3%	159.5%	40.7%	53.5%	93.2%	42.1%	26.0%
<b>NPM (%)</b>	<b>29.0%</b>	<b>32.9%</b>	<b>38.4%</b>	<b>41.6%</b>	<b>44.4%</b>	<b>45.6%</b>	<b>41.1%</b>	<b>43.1%</b>	<b>42.3%</b>	<b>40.9%</b>

Source: Company data, CMBIS estimates

## Valuation

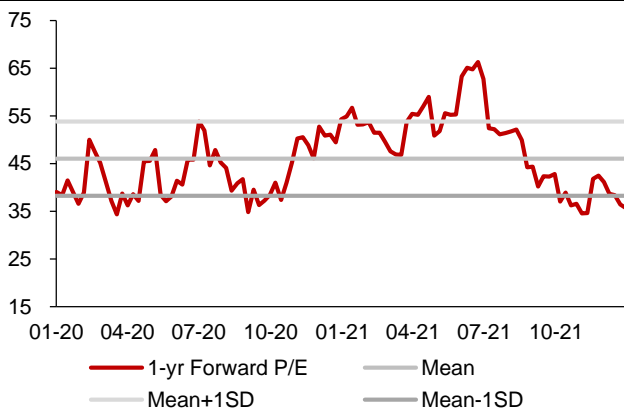
**Maintain BUY with TP of RMB450.0 (42% upside)**

We derive our TP of RMB450.0 by applying 50x FY22 P/E, slightly above 2-year historical average forward P/E. Maxscend is currently trading 1-SD below historical P/E, which is very attractive. We believe this valuation is justified given 1) its leading position in China’s RFFE market, 2) broader product offerings, which are all self-designed and 3) transiting into fab-lite model to secure filter production and enhance its technology strength.

**We take the recent volatility as an attractive opportunity for investors to gain exposure to quality Chinese semi fabless names that can ride strategic trends.**

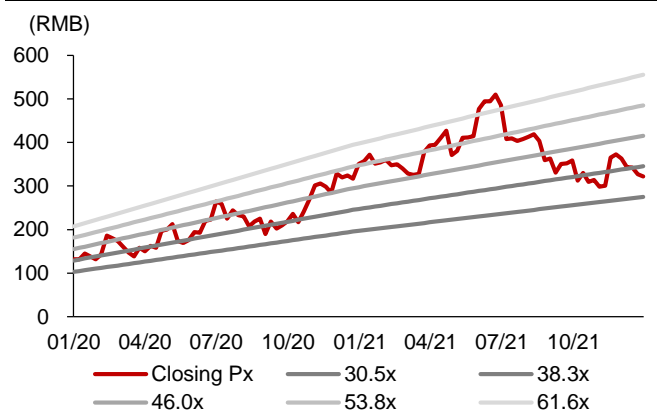
Potential risks include 1) slower-than-expected R&D progress and introduction of new products, 2) intensified competition and 3) worsened Sino/U.S. trade tension.

**Figure 5: 12M forward P/E**



Source: Company data, CMBIS

**Figure 6: 12M forward P/E band**



Source: Company data, CMBIS

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>1,512</b>	<b>2,792</b>	<b>4,811</b>	<b>6,955</b>	<b>9,070</b>
Cost of sales	(719)	(1,317)	(2,038)	(3,047)	(4,073)
<b>Gross profit</b>	<b>793</b>	<b>1,475</b>	<b>2,773</b>	<b>3,908</b>	<b>4,998</b>
Selling exp	(43)	(34)	(34)	(49)	(64)
Admin exp	(33)	(32)	(55)	(79)	(103)
R&D exp	(138)	(182)	(280)	(405)	(529)
Finance costs	12	(19)	6	8	16
Other operating inc./exp.	(30)	10	(44)	(30)	(86)
<b>Operating profit</b>	<b>563</b>	<b>1,218</b>	<b>2,366</b>	<b>3,353</b>	<b>4,232</b>
Other non-oper exp.	0	(1)	(7)	(7)	(11)
<b>Pre-tax profit</b>	<b>563</b>	<b>1,217</b>	<b>2,358</b>	<b>3,346</b>	<b>4,220</b>
Income tax expense	(68)	(147)	(287)	(405)	(512)
Minority interests	(3)	(2)	(1)	(4)	(4)
<b>Net profit to shareholders</b>	<b>497</b>	<b>1,073</b>	<b>2,073</b>	<b>2,945</b>	<b>3,712</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Net profit</b>	<b>494</b>	<b>1,071</b>	<b>2,071</b>	<b>2,941</b>	<b>3,708</b>
Depreciation/amortization	19	28	45	104	205
Change in working capital	(481)	(103)	(973)	(234)	(964)
Others	23	9	(442)	110	(347)
<b>Net cash from operating</b>	<b>56</b>	<b>1,005</b>	<b>702</b>	<b>2,921</b>	<b>2,602</b>
Capex	(96)	(153)	(490)	(775)	(1,081)
Other	(486)	284	(841)	(35)	(35)
<b>Net cash from investing</b>	<b>(582)</b>	<b>130</b>	<b>(1,331)</b>	<b>(810)</b>	<b>(1,116)</b>
Share issuance	841	0	0	0	5
Dividend paid	(100)	(100)	(185)	(387)	(551)
Other	(11)	(1)	(1)	(6)	(4)
<b>Net cash from financing</b>	<b>730</b>	<b>(101)</b>	<b>(186)</b>	<b>(393)</b>	<b>(549)</b>
<b>Net change in cash</b>	<b>204</b>	<b>1,035</b>	<b>(816)</b>	<b>1,718</b>	<b>937</b>
Cash, beg	265	477	1,475	651	2,361
Exchange adj.	7	(37)	(8)	(8)	(8)
<b>Cash, end</b>	<b>477</b>	<b>1,475</b>	<b>651</b>	<b>2,361</b>	<b>3,290</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Current assets</b>	<b>1,784</b>	<b>2,652</b>	<b>3,531</b>	<b>5,824</b>	<b>7,683</b>
Cash & equivalents	477	1,475	737	2,447	3,375
Account receivables	378	338	1,021	943	1,619
Inventory	366	632	868	1,408	1,649
Prepayment	32	32	62	84	110
Other current assets	531	175	844	941	929
<b>Non-current assets</b>	<b>139</b>	<b>439</b>	<b>1,414</b>	<b>2,110</b>	<b>3,491</b>
PPE	72	103	319	695	1,214
Deferred tax assets	7	10	10	21	27
Other non-current assets	60	326	1,084	1,393	2,250
<b>Total assets</b>	<b>1,923</b>	<b>3,090</b>	<b>4,945</b>	<b>7,933</b>	<b>11,174</b>
<b>Current liabilities</b>	<b>209</b>	<b>403</b>	<b>386</b>	<b>794</b>	<b>867</b>
ST borrowings	0	0	0	0	0
Account payables	130	224	190	428	398
Tax payable	43	116	136	257	335
Other current liabilities	36	64	60	108	135
<b>Non-current liabilities</b>	<b>17</b>	<b>35</b>	<b>33</b>	<b>71</b>	<b>88</b>
LT borrowings	0	0	0	0	0
Deferred tax liability	14	33	31	67	82
Other non-current	2	2	2	4	5
<b>Total liabilities</b>	<b>226</b>	<b>438</b>	<b>419</b>	<b>865</b>	<b>955</b>
Share capital	100	180	328	328	328
Reserve	940	860	731	731	731
Retained earnings	610	1,556	3,236	5,499	8,289
Other	53	65	241	523	888
Minority interest	-6	-8	-9	-13	-17
<b>Total equity</b>	<b>1,698</b>	<b>2,652</b>	<b>4,526</b>	<b>7,068</b>	<b>10,219</b>
<b>Total liabilities and</b>	<b>1,923</b>	<b>3,090</b>	<b>4,945</b>	<b>7,933</b>	<b>11,174</b>

### Key ratios

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue by segment</b>					
RFFE discrete	1,463	2,462	3,282	3,977	4,714
RFFE module	0	278	1,435	2,832	4,147
Other	49	52	93	146	209
<b>Growth (%)</b>					
Revenue	170.0%	84.6%	72.3%	44.6%	30.4%
Gross profit	173.8%	85.9%	87.9%	41.0%	27.9%
Operating profit	219.3%	116.5%	94.2%	41.7%	26.2%
Net profit	206.3%	115.8%	93.2%	42.1%	26.0%
<b>Profit &amp; loss ratio (%)</b>					
Gross margin	52.5%	52.8%	57.6%	56.2%	55.1%
Operating margin	37.2%	43.6%	49.2%	48.2%	46.7%
Net profit margin	32.9%	38.4%	43.1%	42.3%	40.9%
<b>Balance sheet ratio</b>					
Net debt/total equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Current ratio (x)	8.5	6.6	9.2	7.3	8.9
Receivable turnover days	51	47	52	52	52
Inventory turnover days	(127)	(138)	(146)	(146)	(146)
Payable turnover days	(41)	(49)	(37)	(37)	(37)
<b>Profitability (%)</b>					
ROE	29.2%	40.3%	45.7%	41.6%	36.3%
ROA	25.9%	34.7%	41.9%	37.1%	33.2%
<b>Per share data (RMB)</b>					
EPS	3.16	3.31	6.31	8.97	11.30
DPS	1.00	1.00	1.00	1.00	1.00
BPS	10.81	8.21	13.81	21.57	31.17

Source: Company data, CMBIS estimates

# 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.

## CMBIS 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 CMBIS

**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 Securities Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

**CMB International Securities Limited ("CMBIS") 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. CMBIS 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. CMBIS 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 CMBIS, solely for the purpose of supplying information to the clients of CMBIS 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 CMBIS 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. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS 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. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS 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 CMBIS 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 CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS 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 CMBIS.

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 CMBIS.

### For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS 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.