

Maxscend (300782 CH)

Mixed results for 2021; New products and filter production are in focus for 2022

Maxscend announced FY21 preliminary results. FY21 revenue/NP grew 66%/99% YoY, reaching RMB4,636mn/2,139mn. Top line slightly missed our/consensus expectations by 4%/4%, while bottom line beat our/consensus est. by 3%/3%. Given recent weakness in Android market, we lowered our forecasts for FY22E. **TP adjusted to RMB415. Maintain BUY.**

- Mixed results for 2021.** Maxscend FY21 revenue was RMB4.6bn, up 66.1% YoY. 4Q21 revenue was RMB1,153mn, up 2.6% QoQ and 40.6% YoY. FY21 and 4Q21 top line missed our/consensus expectations by 4%/4% and 13%/14%. FY21 NP was RMB2.1bn, up 99% YoY. 4Q21 NP was RMB612mn, up 19.3% QoQ and 72.2% YoY. FY21 and 4Q21 bottom line beat our/consensus est. by 3%/3% and 12%/12%. We believe the mixed results was due to continued component shortage, weak Android sales and improved profitability from newly released 5G module in 2021.
- New products and filter production are in focus for 2022.** For 2022, we expect the company will see continuous improvement in profitability due to favorable product mix as module revenue has plenty growth opportunities in top Android OEMs. Given that the new manufacturing plant is currently under pilot production, we would watch closely on the ramp up status of its filter business and its yield after production.
- Maintain BUY with new TP of RMB415.0.** We lowered our FY22 revenue/NP by 9%/8%, reflecting recent weak sales from Android OEMs. We adjusted our TP to RMB415.0 based on same 50x FY22E P/E. Maxscend is currently trading at 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) transition into fab-lite model to secure production capacity and full control of its manufacturing process.
- 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. **Potential upside** includes M&A opportunity.

Earnings Summary

| (YE 31 Dec) | FY19A | FY20A | FY21E | FY22E | FY23E |
|---------------------|--------|--------|-------|-------|-------|
| Turnover (RMB mn) | 1,512 | 2,792 | 4,636 | 6,299 | 8,265 |
| YoY growth (%) | 170.0% | 84.6% | 66.1% | 35.9% | 31.2% |
| Gross margin (%) | 52.5% | 52.8% | 57.1% | 55.5% | 54.3% |
| Net profit (RMB mn) | 497 | 1,073 | 2,139 | 2,724 | 3,524 |
| YoY growth (%) | 206.3% | 115.8% | 99.4% | 27.3% | 29.4% |
| Diluted EPS (RMB) | 3.16 | 3.31 | 6.52 | 8.30 | 10.73 |
| Consensus EPS (RMB) | 45.8% | 4.9% | 96.8% | 27.3% | 29.4% |
| PE (x) | NA | NA | 6.30 | 8.29 | 10.61 |
| PB (x) | 77.4 | 73.8 | 37.5 | 29.4 | 22.8 |
| Yield (%) | 22.6 | 29.7 | 17.4 | 11.6 | 8.1 |
| Roe (%) | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% |
| Net gearing (%) | 29.2% | 40.3% | 46.5% | 39.4% | 35.5% |

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

| | |
|---------------|-----------|
| Target Price | RMB415.0 |
| (Previous TP) | RMB450.0) |
| Up/Downside | +70% |
| Current Price | RMB244.21 |

China Technology Sector

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Stock Data

| | |
|---------------------------|---------------|
| Mkt Cap (RMB mn) | 81.459 |
| Avg 3 mths t/o (RMB\$ mn) | 1,136 |
| 52w High/Low (RMB\$) | 544.68/238.25 |
| 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% |

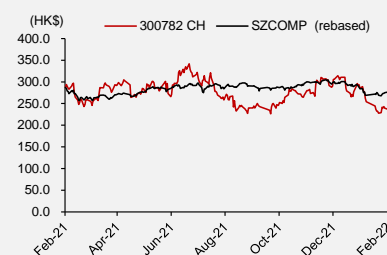
Source: HKEx

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | -7.0% | -4.6% |
| 3-mth | -16.6% | -10.7% |
| 6-mth | -40.2% | -38.6% |

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: BDO

Related Reports

- Long-term positive outlook unchanged despite short term fluctuation – 12 Jan 2022
- "RFFE: Ubiquitous Connectivity Opens Up Immense Wireless Opportunity; Initiate BUY on Maxscend" – 7 Jan 2022

Earnings preview

Figure 1: Quarterly results

| RMB mn | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 | 4Q21 | QoQ | YoY |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|----------|----------|
| Revenue | 451 | 547 | 975 | 820 | 1,183 | 1,176 | 1,124 | 1,153 | 2.6% | 40.6% |
| Gross Profit | 237 | 288 | 489 | 461 | 684 | 676 | 660 | | | |
| Operating Profit | 177 | 230 | 404 | 407 | 572 | 607 | 566 | 479 | -15.5% | 17.7% |
| Net profit | 152 | 201 | 364 | 355 | 492 | 522 | 513 | 612 | 19.3% | 72.2% |
| EPS (RMB) | 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% | 41.5% | -8.9 ppt | -8.1 ppt |
| Net Margin | 33.7% | 36.8% | 37.4% | 43.3% | 41.6% | 44.4% | 45.6% | 53.1% | 7.5 ppt | 9.7 ppt |

Source: Company data, CMBIS

Figure 2: Annual results

| RMB mn | FY18 | FY19 | FY20 | FY21 | YoY |
|------------------|-------|-------|-------|-------|---------|
| Revenue | 560 | 1,512 | 2,792 | 4,636 | 66% |
| Gross Profit | 290 | 793 | 1,475 | | |
| Operating Profit | 176 | 563 | 1,218 | 2,225 | 83% |
| Net profit | 162 | 497 | 1,073 | 2,139 | 99% |
| EPS (RMB) | 2.16 | 3.16 | 3.31 | | |
| Gross Margin | 51.7% | 52.5% | 52.8% | | |
| Operating Margin | 31.5% | 37.2% | 43.6% | 48.0% | 4.4 ppt |
| Net Margin | 29.0% | 32.9% | 38.4% | 46.1% | 7.7 ppt |

Source: Company data, CMBIS

Figure 3: Earnings revision

| RMB mn | New | | | Old | | | Diff (%) | | |
|------------------|-------|-------|-------|-------|-------|-------|----------|----------|----------|
| | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E |
| Revenue | 4,636 | 6,299 | 8,265 | 4,811 | 6,955 | 9,070 | -4% | -9% | -9% |
| Gross Profit | 2,647 | 3,496 | 4,492 | 2,773 | 3,908 | 4,998 | -5% | -11% | -10% |
| Operating Profit | 2,225 | 2,955 | 3,729 | 2,366 | 3,353 | 4,232 | -6% | -12% | -12% |
| Net profit | 2,139 | 2,724 | 3,524 | 2,073 | 2,945 | 3,712 | 3% | -8% | -5% |
| EPS (RMB) | 6.52 | 8.30 | 10.73 | 6.31 | 8.97 | 11.30 | 3% | -8% | -5% |
| Gross Margin | 57.1% | 55.5% | 54.3% | 57.6% | 56.2% | 55.1% | -0.5 ppt | -0.7 ppt | -0.8 ppt |
| Operating Margin | 48.0% | 46.9% | 45.1% | 49.2% | 48.2% | 46.7% | -1.2 ppt | -1.3 ppt | -1.5 ppt |
| Net Margin | 46.1% | 43.2% | 42.6% | 43.1% | 42.3% | 40.9% | 3.1 ppt | 0.9 ppt | 1.7 ppt |

Source: Company data, CMBIS

Figure 4: CMBI estimates vs consensus

| RMB mn | CMBI | | | Consensus | | | Diff (%) | | |
|------------------|-------|-------|-------|-----------|-------|-------|----------|---------|----------|
| | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E |
| Revenue | 4,636 | 6,299 | 8,265 | 4,831 | 6,700 | 8,741 | -4% | -6% | -5% |
| Gross Profit | 2,647 | 3,496 | 4,492 | 2,747 | 3,662 | 4,686 | -4% | -5% | -4% |
| Operating Profit | 2,225 | 2,955 | 3,729 | 2,332 | 3,084 | 3,950 | -5% | -4% | -6% |
| Net profit | 2,139 | 2,724 | 3,524 | 2,074 | 2,742 | 3,507 | 3% | -1% | 0% |
| EPS (RMB) | 6.52 | 8.30 | 10.73 | 6.30 | 8.29 | 10.61 | 3% | 0% | 1% |
| Gross Margin | 57.1% | 55.5% | 54.3% | 56.9% | 54.7% | 53.6% | 0.2 ppt | 0.8 ppt | 0.7 ppt |
| Operating Margin | 48.0% | 46.9% | 45.1% | 48.3% | 46.0% | 45.2% | -0.3 ppt | 0.9 ppt | -0.1 ppt |
| Net Margin | 46.1% | 43.2% | 42.6% | 42.9% | 40.9% | 40.1% | 3.2 ppt | 2.3 ppt | 2.5 ppt |

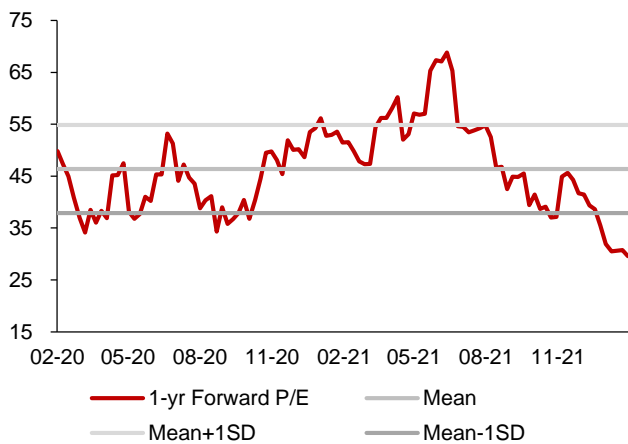
Source: Company data, CMBIS estimates

Figure 5: P&L forecast

| RMB mn | FY18 | FY19 | FY20 | 1Q21 | 2Q21 | 3Q21 | 4Q21E | FY21E | FY22E | FY23E |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 1,512 | 2,792 | 1,183 | 1,176 | 1,124 | 1,153 | 4,636 | 6,299 | 8,265 | 1,512 |
| ...YoY | 170.0% | 84.6% | 162% | 115% | 15% | 41% | 66.1% | 35.9% | 31.2% | 170.0% |
| Cost of sales | 719 | 1,317 | 499 | 501 | 465 | 525 | 1,989 | 2,803 | 3,774 | 719 |
| Gross profit | 793 | 1,475 | 684 | 676 | 660 | 628 | 2,647 | 3,496 | 4,492 | 793 |
| ...YoY | 173.8% | 85.9% | 188% | 135% | 35% | 36% | 79.4% | 32.1% | 28.5% | 173.8% |
| GPM (%) | 52.5% | 52.8% | 57.8% | 57.4% | 58.7% | 54.4% | 57.1% | 55.5% | 54.3% | 52.5% |
| SG&A | 76 | 66 | 18 | 17 | 23 | 31 | 89 | 120 | 158 | 76 |
| ...% of rev | 5.0% | 2.4% | 1.5% | 1.5% | 2.0% | 2.7% | 1.9% | 1.9% | 1.9% | 5.0% |
| R&D | 138 | 182 | 61 | 62 | 72 | 82 | 277 | 376 | 493 | 138 |
| ...% of rev | 9.1% | 6.5% | 5.1% | 5.3% | 6.4% | 7.1% | 6.0% | 6.0% | 6.0% | 9.1% |
| Operating profit | 563 | 1,218 | 572 | 607 | 566 | 479 | 2,225 | 2,955 | 3,729 | 563 |
| ...YoY | 219.3% | 116.5% | 223.7% | 163.7% | 40.1% | 17.7% | 82.6% | 32.8% | 26.2% | 219.3% |
| OPM (%) | 37.2% | 43.6% | 48.4% | 51.6% | 50.4% | 41.5% | 48.0% | 46.9% | 45.1% | 37.2% |
| Net profit | 497 | 1,073 | 492 | 522 | 513 | 612 | 2,139 | 2,724 | 3,524 | 497 |
| ...YoY | 206.3% | 115.8% | 224.3% | 159.5% | 40.7% | 72.2% | 99.4% | 27.3% | 29.4% | 206.3% |
| NPM (%) | 32.9% | 38.4% | 41.6% | 44.4% | 45.6% | 53.1% | 46.1% | 43.2% | 42.6% | 32.9% |

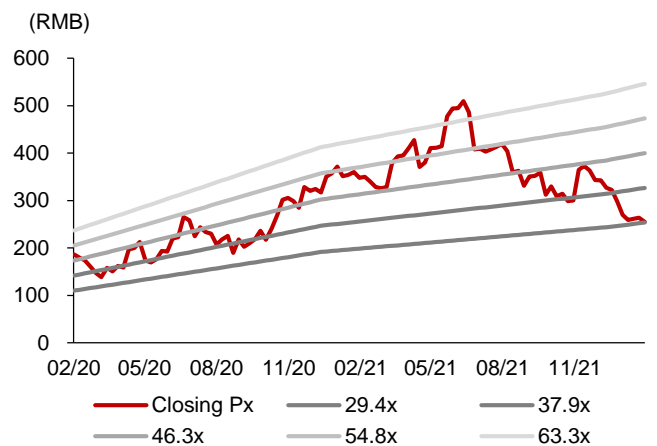
Source: Company data, CMBIS estimates

Figure 6: 12M forward P/E



Source: Company data, CMBIS

Figure 7: 12M forward P/E band



Source: Company data, CMBIS

Financial Summary

Income statement

| YE 31 Dec (RMB mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 1,512 | 2,792 | 4,636 | 6,299 | 8,265 |
| Cost of sales | (719) | (1,317) | (1,989) | (2,803) | (3,774) |
| Gross profit | 793 | 1,475 | 2,647 | 3,496 | 4,492 |
| Selling exp | (43) | (34) | (33) | (45) | (59) |
| Admin exp | (33) | (32) | (56) | (76) | (99) |
| R&D exp | (138) | (182) | (277) | (376) | (493) |
| Finance costs | 12 | (19) | 6 | 9 | 16 |
| Other operating inc./exp. | (30) | 10 | (63) | (54) | (127) |
| Operating profit | 563 | 1,218 | 2,225 | 2,955 | 3,729 |
| Other non-oper exp. | 0 | (1) | 194 | 130 | 258 |
| Pre-tax profit | 563 | 1,217 | 2,419 | 3,085 | 3,988 |
| Income tax expense | (68) | (147) | (279) | (364) | (466) |
| Minority interests | (3) | (2) | 0 | (3) | (2) |
| Net profit to shareholders | 497 | 1,073 | 2,139 | 2,724 | 3,524 |

Cash flow summary

| YE 31 Dec (RMB mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|--------------------------------|--------------|--------------|----------------|--------------|----------------|
| Net profit | 494 | 1,071 | 2,139 | 2,721 | 3,522 |
| Depreciation/amortization | 19 | 28 | 46 | 104 | 203 |
| Change in working capital | (481) | (103) | (892) | (58) | (1,065) |
| Others | 23 | 9 | (425) | 153 | (288) |
| Net cash from operating | 56 | 1,005 | 867 | 2,919 | 2,372 |
| Capex | (96) | (153) | (493) | (746) | (1,039) |
| Other | (486) | 284 | (841) | (35) | (35) |
| Net cash from investing | (582) | 130 | (1,333) | (781) | (1,074) |
| Share issuance | 841 | 0 | 0 | 0 | 5 |
| Dividend paid | (100) | (100) | (185) | (400) | (509) |
| Other | (11) | (1) | (1) | (6) | (4) |
| Net cash from financing | 730 | (101) | (186) | (406) | (508) |
| Net change in cash | 204 | 1,035 | (652) | 1,732 | 790 |
| Cash, beg | 265 | 477 | 1,475 | 814 | 2,538 |
| Exchange adj. | 7 | (37) | (8) | (8) | (8) |
| Cash, end | 477 | 1,475 | 814 | 2,538 | 3,321 |

Balance sheet

| YE 31 Dec (RMB mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|--------------------------------|--------------|--------------|--------------|--------------|---------------|
| Current assets | 1,784 | 2,652 | 3,582 | 5,644 | 7,429 |
| Cash & equivalents | 477 | 1,475 | 900 | 2,624 | 3,406 |
| Account receivables | 378 | 338 | 972 | 807 | 1,528 |
| Inventory | 366 | 632 | 807 | 1,200 | 1,470 |
| Prepayment | 32 | 32 | 60 | 76 | 100 |
| Other current assets | 531 | 175 | 843 | 936 | 925 |
| Non-current assets | 139 | 439 | 1,422 | 2,069 | 3,394 |
| PPE | 72 | 103 | 322 | 687 | 1,188 |
| Deferred tax assets | 7 | 10 | 11 | 21 | 26 |
| Other non-current assets | 60 | 326 | 1,089 | 1,361 | 2,181 |
| Total assets | 1,923 | 3,090 | 5,004 | 7,712 | 10,824 |
| Current liabilities | 209 | 403 | 376 | 740 | 829 |
| ST borrowings | 0 | 0 | 0 | 0 | 0 |
| Account payables | 130 | 224 | 180 | 389 | 377 |
| Tax payable | 43 | 116 | 137 | 250 | 324 |
| Other current liabilities | 36 | 64 | 59 | 101 | 128 |
| Non-current liabilities | 17 | 35 | 34 | 69 | 85 |
| LT borrowings | 0 | 0 | 0 | 0 | 0 |
| Deferred tax liability | 14 | 33 | 32 | 65 | 80 |
| Other non-current | 2 | 2 | 2 | 4 | 5 |
| Total liabilities | 226 | 438 | 410 | 809 | 914 |
| Share capital | 100 | 180 | 328 | 328 | 328 |
| Reserve | 940 | 860 | 731 | 731 | 731 |
| Retained earnings | 610 | 1,556 | 3,295 | 5,347 | 8,010 |
| Other | 53 | 65 | 247 | 508 | 853 |
| Minority interest | -6 | -8 | -8 | -11 | -13 |
| Total equity | 1,698 | 2,652 | 4,594 | 6,903 | 9,909 |
| Total liabilities and | 1,923 | 3,090 | 5,004 | 7,712 | 10,824 |

Key ratios

| YE 31 Dec (RMB mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|------------------------------------|--------|--------|-------|-------|-------|
| Revenue by segment | | | | | |
| RFFE discrete | 1463 | 2462 | 3247 | 3785 | 4422 |
| RFFE module | 0 | 278 | 1295 | 2367 | 3635 |
| Other | 49 | 52 | 93 | 146 | 209 |
| Growth (%) | | | | | |
| Revenue | 170.0% | 84.6% | 66.1% | 35.9% | 31.2% |
| Gross profit | 173.8% | 85.9% | 79.4% | 32.1% | 28.5% |
| Operating profit | 219.3% | 116.5% | 82.6% | 32.8% | 26.2% |
| Net profit | 206.3% | 115.8% | 99.4% | 27.3% | 29.4% |
| Profit & loss ratio (%) | | | | | |
| Gross margin | 52.5% | 52.8% | 57.1% | 55.5% | 54.3% |
| Operating margin | 37.2% | 43.6% | 48.0% | 46.9% | 45.1% |
| Net profit margin | 32.9% | 38.4% | 46.1% | 43.2% | 42.6% |
| Balance sheet ratio | | | | | |
| Net debt/total equity (%) | Net | Net | Net | Net | Net |
| Current ratio (x) | 8.5 | 6.6 | 9.5 | 7.6 | 9.0 |
| Receivable turnover days | 51 | 47 | 52 | 52 | 52 |
| Inventory turnover days | (127) | (138) | (146) | (146) | (146) |
| Payable turnover days | (41) | (49) | (37) | (37) | (37) |
| Profitability (%) | | | | | |
| ROE | 29.2% | 40.3% | 46.5% | 39.4% | 35.5% |
| ROA | 25.9% | 34.7% | 42.7% | 35.3% | 32.6% |
| Per share data (RMB) | | | | | |
| EPS | 3.16 | 3.31 | 6.52 | 8.30 | 10.73 |
| DPS | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| BPS | 10.81 | 8.21 | 14.02 | 21.06 | 30.22 |

Source: Company data, CMBIS estimates

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