

# EVA Holdings (838 HK)

## Auto components' inflection point has arrived

**Initiate with BUY.** We initiate coverage of EVA Precision Industrial Holdings with a BUY rating and target price of HK\$ 3.00. We are of the view that EVA's penetration into Tesla (TSLA US, NR) and Great Wall Motor (2333 HK, BUY / 601633 CH, BUY) could lift its revenue and margins. We see an inflection point for EVA especially its auto components business, which could be overlooked by investors.

■ **Ride on Tesla's strong sales growth.** EVA has become Tesla's supplier for its front-seat frames of all the models produced in North America since Jul 2021. We expect EVA's revenue from Tesla to rise 5x to HK\$ 150mn in FY22E and 77% YoY in FY23E amid Tesla's strong sales growth. We also project gross margin of 50% for such business given less competitive car seat industry landscape in North America.

EVA also benefits from Tesla's strong growth as a tier-2 supplier through Faurecia (EO FP, NR). Despite lower gross margin outlook (about 27% in our assumption), we expect such business to contribute an additional revenue of HK\$ 140mn in FY22E (from HK\$ 60mn to HK\$ 200mn), as Faurecia is the sole supplier of the rear seat assembly for the *Model Y* in North America, and EVA is the sole supplier for Faurecia in such business.

■ **Another growth driver from Great Wall Motor.** Great Wall Motor could become EVA's largest customer in the auto components segment in FY22E, as its Jingmen plant ramps up. After being stamping components supplier for the *P-series* pickup trucks and *Tank 300* produced in Chongqing, EVA has received more orders from Great Wall, especially from its new plant in Jingmen producing the *Tank 500*. We project EVA's revenue from Great Wall to rise 107% YoY to HK\$ 600mn in FY22E.

■ **Steady growth for office automation equipment.** The exit of foreign makers could bolster EVA's office automation equipment business, especially for the assembly. We project its segment revenue to rise 15%/20%/6% YoY during FY22-24E and net profit to surge 72%/31%/42% YoY during the same period.

■ **Valuation/Key risks.** We use sum-of-the-parts (SOTP) valuation for EVA, as we value HK\$ 2.34 per share for its auto components business, based on 20x our FY22E P/E; and HK\$ 0.66 per share for its office automation equipment, based on 8.5x our FY22E P/E. Key risks to our rating and target price include lower sales or margins, and more severe production disruption than we expect.

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (HK\$ mn)	4,008	5,109	6,353	8,238	9,777
YoY growth (%)	7.0	27.4	24.4	29.7	18.7
Net income (HK\$ mn)	(15)	155	340	545	787
EPS (HK\$)	(0.01)	0.09	0.19	0.30	0.43
YoY growth (%)	N/A	N/A	119.0	60.4	44.4
P/E (x)	N/A	14.7	6.8	4.2	3.1
P/B (x)	0.9	0.8	0.7	0.6	0.5
Yield (%)	0.0	2.0	4.4	6.9	9.8
ROE (%)	(0.6)	5.7	11.5	16.3	20.2
Net gearing (%)	14.1	17.5	5.9	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Initiation)

Target Price	HK\$ 3.00
Up/Downside	+127.3%
Current Price	HK\$ 1.32

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#### Stock Data

Mkt Cap (HK\$ mn)	2,309
Avg 3 mths t/o (HK\$ mn)	23
52w High/Low (HK\$)	2.58/0.66
Total Issued Shares (mn)	1,749

Source: Bloomberg

#### Shareholding Structure

Zhang Hwo Jie's Family	44.3%
Others	55.7%

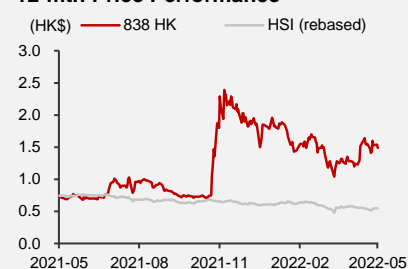
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	7.3%	13.8%
3-mth	-11.4%	9.0%
6-mth	-43.1%	-21.6%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

Auditor: PricewaterhouseCoopers

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## Focus Charts

Figure 1: EVA's auto components plant details

Plant	Product	Major customers	Designed annual production capacity (HK\$ bn)
Shenzhen plant	Mould	Tesla, Faurecia, Brose, Adient	0.3
Zhongshan plant	Stamping and welding seat and lock components, insert moulding interior plastic components	Faurecia, Brose, Adient	0.7
Chongqing plant	Stamping and welding body structural components	Great Wall, SAIC-GM-Wuling, Changan, FAW-VW, Changan-Ford	1.5
Sichuan plant	Support Chongqing plant	Attempt to develop OEM customers around Chengdu	Unknown
Wuhan plant	Chassis components, sunroof welding assembly, body structural components	Great Wall, SAIC-GM, PSA, Faurecia, Webasto	1.5
Mexico plant	Stamping and welding seat frame	Tesla, Faurecia, Brose, Adient	1.0
<b>Total</b>			<b>5.0</b>

Source: Company data, CMBIGM

Figure 2: EVA's OA plant details

Company	Location	Major customers	Designed annual production capacity (HK\$ bn)
EVA Precision Technology Group	Shenzhen, China	Fujifilm, Kyocera, Toshiba	1.0
Yihe Plastic and Electronic Products	Shenzhen, China	Fujifilm, Kyocera, Toshiba	2.0
EVA Mould Manufacturing	Shenzhen, China	Fujifilm, Kyocera, Toshiba	2.0
EVA Precision Industrial (Suzhou)	Suzhou, China	Fujifilm, Canon, Konica Minolta, Ricoh	1.0
EVA Precision Industrial (Weihai)	Weihai, China	Fujifilm, Kyocera, Toshiba	2.0
EVA Hai Phong Precision Industrial	Hai Phong, Vietnam	Fujifilm, Kyocera	2.0
<b>Total</b>			<b>10.0</b>

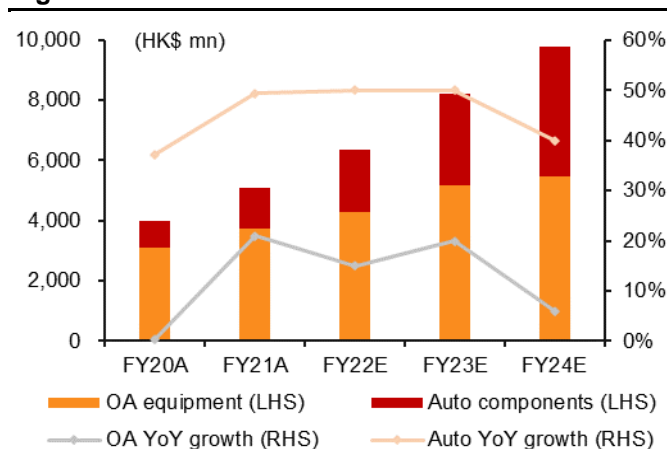
Source: Company data, CMBIGM

Figure 3: Our est. revenue from major auto clients

Client	FY21A (HK\$ mn)	FY22E (HK\$ mn)	YoY
Faurecia	~400	540	35.0%
Great Wall	~290	600	106.9%
Tesla	~30	150	400.0%

Source: Company data, CMBIGM

Figure 4: Revenue forecasts



Source: Company data, CMBIGM estimates

## Automotive Components Business

EVA Precision Industrial Holdings posted a revenue of HK\$ 5.1bn in FY21, HK\$ 3.7bn of which was contributed by its office automation equipment business with remaining HK\$ 1.4bn from its automotive components business. In this report, we will elaborate on the details of both businesses in a bid to draw our conclusion that an inflection point has probably arrived for EVA.

### Car seat components: Set to enjoy high growth as Tesla supplier

Starting as an office automation equipment parts maker in 1993, EVA has been tapping into the automotive components business with its expertise in moulding since 2008. After taking a detour of being a tier-3 or -4 supplier for different kinds of moulds and stamping products for a few years, EVA started to focus on manufacturing car seat frames as a tier-2 supplier for Faurecia, Brose, Aisin (7259 JP, NR), etc. from 2014. In 2017, EVA's Mexico plant started production, mainly providing seat frames to Faurecia in North America. In our view, EVA is set to enjoy high growth from car seat frames in the next few years, especially from Tesla.

#### ■ Sole supplier for Tesla's front seats of all the models in North America

Unlike other automakers, Tesla has been assembling front seats on its own for all the models in North America to save costs. EVA started to receive Tesla's orders directly from 2019 after passing Tesla's requirements for a seat component using complicated continuous compression moulding. In July 2021, EVA replaced a US supplier to become Tesla's sole supplier for its front-seat frames of all the models produced in North America, which generated a revenue of about HK\$ 25mn for EVA in FY21.

We expect such business to contribute a revenue of about HK\$ 150mn for EVA in FY22E assuming content per vehicle of HK\$ 190 and 0.8mn units produced at Tesla's US plants. More importantly, raw-material price hike would have little dent on margins for these components at EVA, as Tesla is responsible for raw-material price negotiation. In addition, as all the components are manufactured in Mexico, it is not exposed to transactional forex loss.

According to management, gross margin for Tesla's front-seat frames is significantly higher than its other auto components given the much less competitive car seat industry landscape in North America than in China. We assume a gross margin of 50% for such business in FY22E and narrow gradually in the next few years, as Tesla usually pushes suppliers to cut prices to cope with its pricing strategy. On the other hand, we are of the view that EVA's low content per vehicle (US\$ 25) at Tesla could help its high gross margin to sustain for a while.

EVA has also secured the *Cybertruck's* front-seat frame components from Tesla, which could further aid EVA's revenue from Tesla in FY23-24E. Tesla aims to lift its monthly volume production to 120,000 units from 3Q22 once its Austin plant ramps up. Therefore, we believe that EVA could at least equip 1.4mn units for Tesla in North America in FY23E, or a revenue of HK\$ 266mn assuming content per vehicle of HK\$ 190.

As Tesla has paid EVA for the first mould and EVA bears all the costs for the future moulds, there is little incentive for Tesla to switch front-seat frame suppliers in the short term, in our view. As there is still room for EVA to cut prices, we are of the view that its supply to Tesla's front-seat frames is secured during FY22-24E.

### ■ Benefit from Tesla *Model Y*'s sales surge as a tier-2 supplier

Apart from its relatively new business with Tesla directly, EVA acts as a tier-2 supplier for most of its car seat components. Faurecia is EVA's largest client with about HK\$ 400mn revenue contributed in FY21. Such revenue could grow 35% YoY in FY22E, in our view, thanks to Tesla again.

Starting from May 2020, Faurecia started to supply all rear seats for the Tesla *Model Y* in North America and EVA supplies all such seat frames to Faurecia. Such business generated a revenue of about HK\$ 60mn in FY21. We project such revenue to more than triple to HK\$ 200mn in FY22E, assuming content per vehicle of HK\$ 370 and 0.54mn units of the *Model Y* produced at Tesla's US plants. Therefore, Tesla *Model Y*'s rear-seat components could help EVA's revenue from Faurecia to reach HK\$ 540mn in FY22E, assuming all other businesses with Faurecia in FY22E remain the same as FY21. We estimate gross margin of Faurecia's businesses at EVA to be 27% in FY22E.

### ■ More orders secured from EVA's Mexico plant in FY23E

Apart from the front-seat frame for the Tesla *Cybertruck* in FY23E as noted in the previous paragraphs, EVA has received more orders as a tier-2 supplier for FY23E, including from GM (GM US, NR) and Volvo Cars (VOLCARB SS, NR), both of which are through Faurecia. These businesses could contribute to an additional revenue of about HK\$ 350mn in FY23E, based on the preliminary estimates now.

As Yanfeng has secured the *Cybertruck*'s rear-seat orders in North America from Tesla, it is also possible for EVA to be Yanfeng's supplier for the components of the *Cybertruck*'s rear seats, given there are not many choices in North America for Yanfeng.

Globally, EVA had about orders backlog of HK\$ 13.6bn as of the end of Apr 2022, HK\$ 7.13bn or 52% of which were from car seat components. Faurecia contributed to about HK\$ 4.6bn of the total orders backlog. EVA's Mexico plant would probably contribute the most to the growth of the seat components business during FY22-23E. We expect revenue from its Mexico plant to double from HK\$ 0.3bn in FY21 to HK\$ 0.6bn in FY22E and further rise to HK\$ 1.0bn in FY23E, should Tesla's strong sales-volume growth continue. The company aims to achieve a revenue of HK\$ 1.5-2.0bn in the medium term in Mexico, given its current order backlog has reached HK\$ 6.4bn.

### Structural stamping components: Great Wall is another driver

As EVA has no intention to assemble car seats to compete with tier-1 suppliers, its businesses with Faurecia and other traditional tier-1 suppliers for car seats should not be affected by its direct supply to Tesla. For some stamping parts such as crossmember, EVA has been attempting to become a tier-1 supplier. EVA's plants in Chongqing (acquired in 2011) and Wuhan (from 2014) used to supply moulds and stamping parts to tier-1 suppliers. Great Wall Motor's new plants in Chongqing (from late 2019) and Jingmen (from 2022, next to Wuhan) have provided new opportunities to EVA.

Great Wall contributed about HK\$ 290mn to EVA's FY21 revenue, which accounted for about 63% of the revenue from EVA's Chongqing plant (HK\$ 460mn) last year. Despite the current supply chain constraints that cap Great Wall's production, we still expect production volume of the *P-series* pickup trucks and *Tank 300* SUVs produced in its Chongqing plant to rise YoY in FY22E, given their solid demand and high margins. In addition, EVA has been lifting its average content per vehicle at Great Wall by adding more stamping components from chassis and body-in-white.

A larger revenue growth from Great Wall in FY22E should come from EVA's Wuhan plant, as Great Wall's new plant in Wuhan has started mass production since early 2022. The

Wuhan plant's revenue from Great Wall has tripled within three months in 1H22. The company also projects its Wuhan plant's revenue to more than triple from HK\$ 120mn in FY21 to HK\$ 380mn in FY22E.

**We expect the total revenue from Great Wall to rise from HK\$ 290mn in FY21 to about HK\$ 600mn in FY22E at EVA**, accounting for businesses in both Chongqing and Wuhan plants. As of the end of Apr 2022, EVA had an order backlog of HK\$ 3.2bn from Great Wall.

**Figure 5: EVA's auto components plant details**

Plant	Product	Major customers	Designed annual production capacity (HK\$ bn)
Shenzhen plant	Mould	Tesla, Faurecia, Brose, Adient	0.3
Zhongshan plant	Stamping and welding seat and lock components, insert moulding interior plastic components	Faurecia, Brose, Adient	0.7
Chongqing plant	Stamping and welding body structural components	Great Wall, SAIC-GM-Wuling, Changan, FAW-VW, Changan-Ford	1.5
Sichuan plant	Support Chongqing plant	Attempt to develop OEM customers around Chengdu	Unknown
Wuhan plant	Chassis components, sunroof welding assembly, body structural components	Great Wall, SAIC-GM, PSA, Faurecia, Webasto	1.5
Mexico plant	Stamping and welding seat frame	Tesla, Faurecia, Brose, Adient	1.0
<b>Total</b>			<b>5.0</b>

Source: Company data, CMBIGM

## Margin improvement amid strong topline growth

### ■ EVA's auto components revenue likely to rise 50%/50%/40% YoY in FY22-24E

We project EVA's total auto components revenue to rise 50% YoY from HK\$ 1.37bn in FY21 to HK\$ 2.05bn in FY22E, based on the growth drivers noted in the previous paragraphs. Tesla (directly and indirectly through Faurecia) and Great Wall could contribute about 38% and 45% of our projected revenue growth in FY22E, respectively.

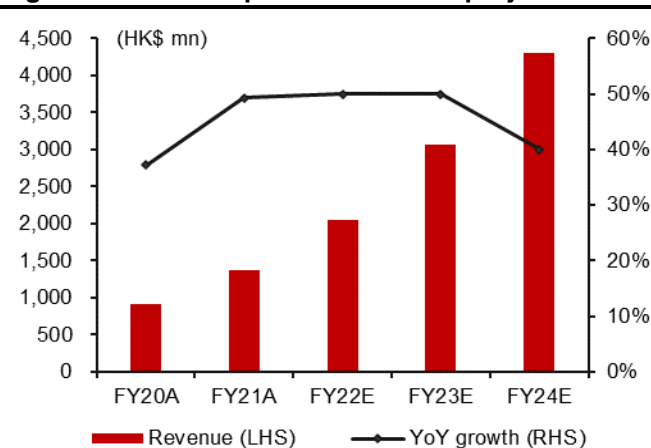
We are of the view that EVA could still ride on Tesla's sales-volume growth and Great Wall's Wuhan plant in FY23-24E, along with upcoming new projects especially in North America. Accordingly, we project EVA's auto components revenue to surge 50% and 40% YoY in FY23E and FY24E, respectively.

**Figure 6: Our est. revenue from major auto clients**

Client	FY21A (HK\$ mn)	FY22E (HK\$ mn)	YoY
Faurecia	~400	540	35.0%
Great Wall	~290	600	106.9%
Tesla	~30	150	400.0%

Source: Company data, CMBIGM estimates

**Figure 7: Auto components revenue projection**



Source: Company data, CMBIGM estimates

**■ Gross margin expansion on Tesla and economies of scale**

We forecast EVA's gross margin in the automotive components segment to widen to 28.7%/29.9%/30.7% during FY22-24E, up from 25% in FY21, thanks to the higher margins from Tesla's front-seat frame business and higher production capacity utilization. EVA's existing auto components plants in Shenzhen, Zhongshan, Wuhan, Chongqing and Mexico could support a total annual capacity of HK\$ 5bn with an additional HK\$ 500mn investments in equipment, according to the company. In other words, EVA's auto components capacity utilization rate was only about 27% in FY21. We project EVA's auto components revenue to rise to HK\$ 4.3bn in FY24E, which could be supported by its current designed capacity with limited capex investment.

## Office Automation Equipment Business

EVA's office automation (OA) equipment business mainly includes parts manufacturing and assembly for printers, photocopiers and other related machines. Fujifilm is the largest client for EVA's OA business, accounting for about 1/3 of the total segment revenue in FY21. Such business could be broken down into moulds, parts manufacturing and assembly. Each part accounted for 7%, 54% and 39% of EVA's total revenue of HK\$ 3.7bn in the OA segment in FY21.

Moulds and parts manufacturing usually have a gross margin range of 15-25%, whereas assembly gross margin is dependent on the percentage of self-made components. Gross margin of sourced parts is only about 6-8% while assembly of self-made components enjoys profits from parts manufacturing. About 35% of EVA's OA assembly revenue comprises of its self-made components now.

### Exit of foreign makers could bolster EVA's OA revenue and margins

Despite stagnant demand for the OA market, we still expect EVA's OA revenue to rise by double-digit in FY22-23E, aided by its assembly business, as some foreign OA machine makers are exiting China. We project EVA's OA assembly revenue to rise from HK\$ 1.5bn in FY21 to HK\$ 2.2bn in FY22E. Accordingly, we forecast EVA's total OA revenue to rise 15% YoY to HK\$ 4.3bn in FY22E and 20% YoY to HK\$ 5.2bn in FY23E and 6% YoY to HK\$ 5.5bn in FY24E.

The exit of some foreign OA machine and parts makers could also lift EVA's gross margin in the assembly business. In the past, EVA's OA clients would require EVA to source particular parts from designated parts makers. Now as some designated parts makers exit China, EVA could potentially raise the ratio of its self-made components for the assembly, which lifts the overall assembly gross margin.

### Weihai and Vietnam plants are revenue and margin drivers

The company expects the majority of the OA revenue growth in FY22E to come from its plants in Weihai and Vietnam. In FY21, two plants combined contributed a revenue of about HK\$ 920mn (25% of EVA's total OA revenue). This figure could surge to about HK\$ 1.6bn in FY22E. Such potential growth could widen margins as well. Both plants posted about 17% gross margin in FY21, lower than EVA's overall OA gross margin of 18%, amid low capacity utilization rates.

We project EVA's OA gross margin to widen to 19.4% in FY22E from 18.0% in FY21, due to 1) higher margin from parts manufacturing amid higher capacity utilization rate; 2) slightly higher margin from the assembly business benefited from higher margin from self-made components and possible higher self-made components ratio; 3) stable gross margin for moulds.

Although the possible higher self-made components ratio could lift gross margin for EVA's assembly business over the time, we take a cautious view for EVA's OA gross margin in FY23-24E, as the higher portion of the assembly business could still drag down the overall gross margin.



**Figure 8: EVA's OA plant details**

Company	Location	Major customers	Designed annual production capacity (HK\$ bn)
EVA Precision Technology Group	Shenzhen, China	Fujifilm, Kyocera, Toshiba	1.0
Yihe Plastic and Electronic Products	Shenzhen, China	Fujifilm, Kyocera, Toshiba	2.0
EVA Mould Manufacturing	Shenzhen, China	Fujifilm, Kyocera, Toshiba	2.0
EVA Precision Industrial (Suzhou)	Suzhou, China	Fujifilm, Canon, Konica Minolta, Ricoh	1.0
EVA Precision Industrial (Weihai)	Weihai, China	Fujifilm, Kyocera, Toshiba	2.0
EVA Hai Phong Precision Industrial	Hai Phong, Vietnam	Fujifilm, Kyocera	2.0
<b>Total</b>			<b>10.0</b>

Source: Company data, CMBIGM

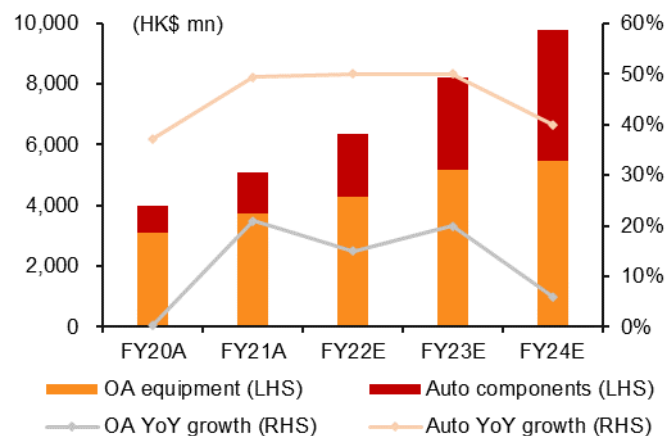
## Financial Analysis

### We project FY22-24E revenue CAGR of 25%, net profit CAGR of 72%

We forecast EVA's total revenue to rise 24%/30%/19% YoY during FY22-24E, based on our assumptions for auto components and OA businesses as illustrated above. Auto components business is the revenue driver during FY22-24E, as we project 50%/50%/40% YoY growth for the segment revenue, respectively.

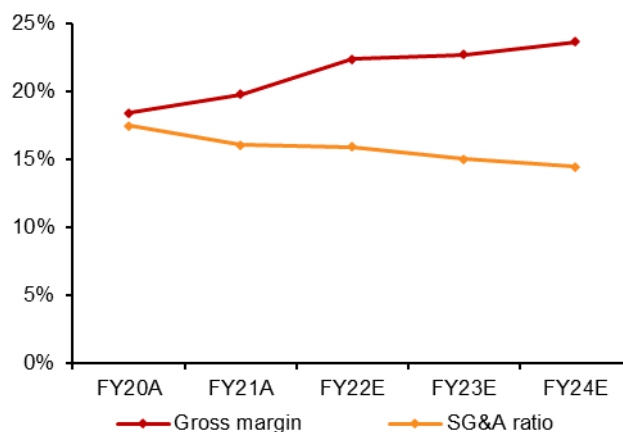
High topline growth also lifts EVA's gross margins. We project 22.4%/22.8%/23.7% for its gross margin during FY22-24E, as auto components take up a higher portion of revenue gradually. We forecast gross margins of 28.7%/29.9%/30.7% for the auto components segment during FY22-24E, up from around 25% in FY21, amid high-margin business from Tesla's front-seat frames in North America and rising capacity utilization rate from other stamping components, especially from Great Wall. We project gross margins of 19.4%/18.5%/18.2% for the OA segment during FY22-24E, with its rising assembly business that lifts revenue but slightly drags down the overall OA margins. Accordingly, we expect net profit to rise 119%/60%/44% YoY during FY22-24E.

**Figure 9: Revenue forecasts**



Source: Company data, CMBIGM estimates

**Figure 10: Margin forecasts**



Source: Company data, CMBIGM estimates

### Investors could overlook EVA given its current market cap

There is only one broker covering this company, based on Bloomberg's data. Our revenue forecasts in FY22-23E are in line and our net profit estimates in FY22-23E are 6%/4% higher than the other broker.

Given EVA's current market cap of about HK\$ 2.5bn and around 70% of revenue still coming from traditional OA business, investors could overlook the company's inflection point as it rides on Tesla's sales boom and larger exposure to other stamping components from more automakers.

**Figure 11: CMBIGM estimates vs consensus**

HK\$ mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	6,353	8,238	9,777	6,135	8,333	N/A	3.6%	-1.1%	N/A
Gross Profit	1,423	1,874	2,316	1,442	2,050	N/A	-1.3%	-8.6%	N/A
Operating Profit	421	657	932	526	825	N/A	-19.9%	-20.3%	N/A
Net profit	340	545	787	320	525	N/A	6.1%	3.8%	N/A
Gross Margin	22.4%	22.8%	23.7%	23.5%	24.6%	N/A	-1.1 ppt	-1.8 ppt	N/A
Operating Margin	6.6%	8.0%	9.5%	8.6%	9.9%	N/A	-1.9 ppt	-1.9 ppt	N/A
Net Margin	5.3%	6.6%	8.1%	5.2%	6.3%	N/A	0.1 ppt	0.3 ppt	N/A

Source: Bloomberg, CMBIGM estimates

## Valuation

### Initiate with BUY; TP of HK\$ 3.00 (127% upside)

We use sum-of-the-parts (SOTP) to value EVA given its auto components and OA businesses, which have been elaborated above.

**Auto components:** We value HK\$ 2.34 per share for EVA's auto components business, which is based on 20x our FY22E P/E. We are of the view that such valuation is well justified given its high growth potential. We project EVA's net profit to rise 80%/46% YoY in FY23-24E.

**OA equipment:** We value HK\$ 0.66 per share for EVA's OA business, which is based on 8.5x our FY22E P/E, slightly lower than EVA's average forward 12-month P/E of 10x during 2016-18 when OA business dominated the company's business. Ninestar Corp (002180 CH, NR), which produces printer consumables, has a forward 12-month P/E of 30x.

Our target price of HK\$ 3.00 implies 15.5x our FY22E P/E and 10.0x our FY23E P/E at the company level.

On 27 Apr 2022, the company approved a share repurchase plan to buy back up to HK\$ 200mn of shares at no more than HK\$ 2 per share in the next six months, which could be another catalyst for its share price.

**Figure 12: SOTP valuation**

Segment	Our Estimated Net Profit in FY22E (HK\$ mn)	Target P/E Multiple	Target Market Cap (HK\$ mn)	Target Price (HK\$)
Auto Components	205	20.0x	4,097	2.34
OA Equipment	135	8.5x	1,147	0.66
<b>SOTP</b>			<b>5,244</b>	<b>3.00</b>

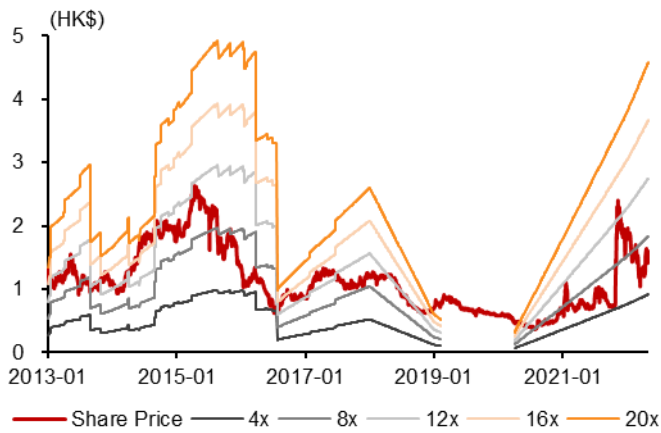
Source: CMBIGM estimates

**Figure 13: Peers' valuation**

Company	Ticker	Rating	Mkt Cap (HK\$ mn)	Price (LC)	P/E (x)		P/B (x)		ROE (%)	
					FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
EVA	838 HK	BUY	2,309	1.32	6.8	4.2	0.7	0.6	11.5	16.3
TK Group	2283 HK	BUY	1,850	2.22	5.8	4.5	1.0	0.9	18.6	21.0
Faurecia	EO FP	NR	26,842	21.41	10.7	4.3	0.8	0.7	13.7	12.2
Ningbo Jifeng	603997 CH	NR	10,301	7.89	23.1	13.4	1.8	1.6	8.0	12.3
Ninestar	002180 CH	NR	72,502	43.89	33.1	22.4	4.9	4.3	15.6	20.7
<b>Average</b>					<b>15.9</b>	<b>9.8</b>	<b>1.9</b>	<b>1.6</b>	<b>13.5</b>	<b>16.5</b>

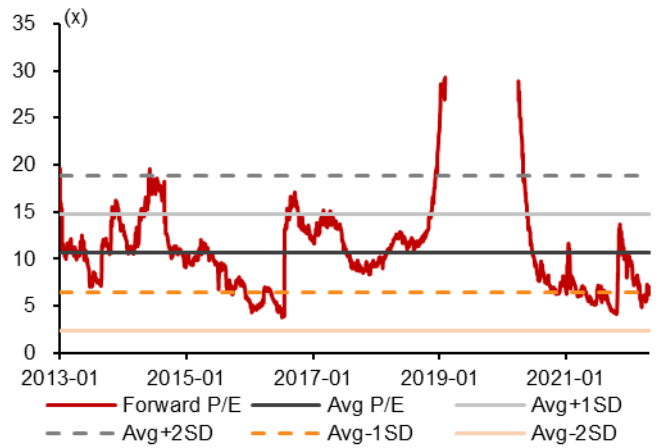
Source: Bloomberg, WIND Database, CMBIGM estimates

**Figure 14: EVA's forward 12-m P/E band**



Source: Company data, Bloomberg, CMBIGM

**Figure 15: EVA's forward 12-m P/E range**



Source: Company data, Bloomberg, CMBIGM

## Financial Summary

### Income statement

YE 31 Dec (HK\$ mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>4,008</b>	<b>5,109</b>	<b>6,353</b>	<b>8,238</b>	<b>9,777</b>
Cost of sales	(3,270)	(4,096)	(4,930)	(6,364)	(7,461)
<b>Gross profit</b>	<b>738</b>	<b>1,013</b>	<b>1,423</b>	<b>1,874</b>	<b>2,316</b>
Selling exp.	(237)	(315)	(395)	(501)	(603)
Admin exp.	(463)	(506)	(618)	(737)	(812)
Other income	38	32	40	60	80
Other gains / (losses), net	(8)	(5)	3	(8)	(15)
Impairment loss	(34)	(24)	(32)	(32)	(34)
<b>Operating profit</b>	<b>35</b>	<b>195</b>	<b>421</b>	<b>657</b>	<b>932</b>
Net finance costs	(32)	(15)	(20)	(17)	(6)
Share of profit of JV & asso	(16)	0	(2)	1	1
<b>Pre-tax profit</b>	<b>(13)</b>	<b>180</b>	<b>400</b>	<b>641</b>	<b>926</b>
Tax	(2)	(25)	(60)	(96)	(139)
Minority interests	-	-	-	-	-
<b>Net profit</b>	<b>(15)</b>	<b>155</b>	<b>340</b>	<b>545</b>	<b>787</b>

### Cash flow summary

YE 31 Dec (HK\$ mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Profit before taxation</b>	<b>(13)</b>	<b>180</b>	<b>400</b>	<b>641</b>	<b>926</b>
Depreciation/amortization	235	276	321	374	403
Change in working capital	194	(213)	(125)	(44)	(131)
Others	37	17	41	(19)	(77)
<b>Net cash from operating</b>	<b>453</b>	<b>259</b>	<b>637</b>	<b>953</b>	<b>1,121</b>
Capex	(243)	(376)	(200)	(250)	(300)
Others	189	39	(52)	(34)	(20)
<b>Net cash from investing</b>	<b>(54)</b>	<b>(337)</b>	<b>(252)</b>	<b>(284)</b>	<b>(320)</b>
Net borrowings	(11)	6	(489)	(430)	(496)
Dividend paid	(50)	(21)	(67)	(127)	(193)
Others	(23)	(3)	(13)	(20)	(15)
<b>Net cash from financing</b>	<b>(84)</b>	<b>(18)</b>	<b>(569)</b>	<b>(576)</b>	<b>(704)</b>
<b>Net change in cash</b>	<b>315</b>	<b>(96)</b>	<b>(183)</b>	<b>93</b>	<b>98</b>
Cash at beginning of the year	1,071	1,406	1,318	1,135	1,228
FX effect	20	9	-	-	-
<b>Cash at the end of the year</b>	<b>1,406</b>	<b>1,318</b>	<b>1,135</b>	<b>1,228</b>	<b>1,326</b>

### Balance sheet

YE 31 Dec (HK\$ mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Current assets</b>	<b>3,271</b>	<b>3,642</b>	<b>3,891</b>	<b>4,571</b>	<b>5,175</b>
Cash & equivalents	1,406	1,318	1,135	1,228	1,326
Account receivables	1,028	1,382	1,654	2,031	2,411
Inventories	541	688	810	976	1,063
Other current assets	295	253	292	335	375
<b>Non-current assets</b>	<b>2,831</b>	<b>2,932</b>	<b>2,866</b>	<b>2,771</b>	<b>2,674</b>
PP&E	2,281	2,418	2,357	2,289	2,226
Right-of-use assets	373	384	376	353	316
Investments in associates	33	35	33	34	35
Other non-current assets	144	95	100	95	97
<b>Total assets</b>	<b>6,101</b>	<b>6,574</b>	<b>6,757</b>	<b>7,342</b>	<b>7,849</b>
<b>Current liabilities</b>	<b>2,774</b>	<b>3,226</b>	<b>3,137</b>	<b>3,133</b>	<b>3,181</b>
Bank borrowings	1,277	1,448	1,034	476	145
Payables	1,159	1,373	1,621	2,092	2,453
Contract liabilities	82	68	83	99	98
Other current liabilities	257	338	400	466	486
<b>Non-current liabilities</b>	<b>718</b>	<b>559</b>	<b>505</b>	<b>634</b>	<b>453</b>
Bank borrowings	625	460	410	560	410
Deferred income	20	21	21	21	21
Other non-current liabilities	73	78	74	53	22
<b>Total liabilities</b>	<b>3,492</b>	<b>3,785</b>	<b>3,642</b>	<b>3,767</b>	<b>3,634</b>
Share capital	172	175	178	181	184
Reserves	2,438	2,614	2,936	3,394	4,030
Minority interests	-	-	-	-	-
<b>Shareholders' equity</b>	<b>2,610</b>	<b>2,788</b>	<b>3,114</b>	<b>3,575</b>	<b>4,214</b>
<b>Total equity and liabilities</b>	<b>6,101</b>	<b>6,574</b>	<b>6,757</b>	<b>7,342</b>	<b>7,849</b>

### Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
Sales of auto components	22.8	26.7	32.2	37.3	44.0
Sales of OA equipment	77.2	73.3	67.8	62.7	56.0
<b>Growth (%)</b>					
Revenue	7.0	27.4	24.4	29.7	18.7
Gross profit	(3.5)	37.2	40.5	31.7	23.5
Operating profit	(71.1)	461.5	116.5	56.0	41.8
Net profit	N/A	N/A	119.0	60.4	44.4
<b>Profit &amp; loss ratio (%)</b>					
Gross margin	18.4	19.8	22.4	22.8	23.7
Operating margin	0.9	3.8	6.6	8.0	9.5
Net profit margin	(0.4)	3.0	5.3	6.6	8.1
<b>Balance sheet ratio</b>					
Net cash (debt)/total equity (x)	(0.1)	(0.2)	(0.1)	0.1	0.2
Current ratio (x)	1.2	1.1	1.2	1.5	1.6
Receivable turnover days	94	99	95	90	90
Inventory turnover days	60	61	60	56	52
Payable turnover days	129	122	120	120	120
<b>Profitability (%)</b>					
ROE	(0.6)	5.7	11.5	16.3	20.2
ROA	(0.3)	2.4	5.1	7.7	10.4
<b>Per share data (HK\$)</b>					
EPS	(0.01)	0.09	0.19	0.30	0.43
DPS	0.00	0.03	0.06	0.09	0.13

Source: Company data, CMBIGM estimates

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