

Luxshare (002475 CH)

3Q24 results and FY24 guidance in-line; Resilient outlook boosted by Apple Intelligence cycle

Luxshare's 3Q24 revenue/NP growth of 27%/22% YoY was largely in-line with the earnings pre-announcement, and FY24E net profit guidance of 20-25% YoY was largely in-line with consensus. Looking into 2025, we believe Luxshare is well-positioned to capture growth opportunities in Apple intelligence trend on high exposure across Apple products, datacentre connectivity momentum and auto electronics business expansion. The stock now trades at 18.9x FY25E P/E. We rolled forward our target multiple to FY25E, and our new TP of RMB 55.09 is based on 24x FY25E P/E (vs prior 24x FY24E P/E). Maintain BUY.

■ **3Q24 results mostly in-line with accelerated sales growth.** Luxshare posted 3Q24 revenue/NP growth of 27%/22% YoY, largely in-line with the earnings pre-announcement (14.4%-26.6% YoY). In particular, we are encouraged by stronger 3Q sales growth of 27% YoY (vs +6% YoY in 1H24), thanks to share gains in new iPhones with higher allocation in high-end models, in our view. For 3Q24, mgmt. highlighted that 1) consumer electronics upgrades (smartphone, PC, XR, wearables, smart home, IoT, etc) boosted by edge AI applications, despite higher expenses incurred for Apple's Vision Pro, 2) datacentre connectivity components driven by large-scale AI customer demand, 3) and auto electronics opportunities backed by strong product portfolio, expanding resource investments and order wins from both domestic and overseas OEM/Tier-1s.

■ **Resilient FY24E guidance in-line with expectations.** Luxshare pre-announced FY24E earnings growth of 20-25% YoY, largely in-line with market consensus. We remain positive on Luxshare's business outlook in 2025/26E, backed by: 1) booming demand in datacentre connectivity, 2) auto business expansion in both domestic and overseas markets and recent acquisition of Leoni AG/Kabel, and 3) Apple product upgrade cycle with Apple Intelligence rollout starting in 4Q24E (most English-speaking regions) and FY25E (other language regions).

■ **Attractive risk/reward at 18.9x FY25E P/E; Reiterate BUY.** The stock now trades at 18.9x FY25E P/E, vs. 22%/19% earnings growth in FY25/26E. We rolled forward our target multiple to FY25E, and our new TP of RMB 55.09 is based on 24x FY25E P/E (vs prior 24x FY24E P/E). Catalysts include top module/iPhone share gains, datacenter/auto tier-1 business progress and initial customer feedback of Apple Intelligence deployments in late Oct.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	214,028	231,905	251,444	291,179	335,832
YoY growth (%)	39.0	8.4	8.4	15.8	15.3
Net profit (RMB mn)	9,163.1	10,952.7	13,367.7	16,326.6	19,399.8
EPS (Reported) (RMB)	1.29	1.54	1.88	2.30	2.73
YoY growth (%)	28.6	19.4	22.0	22.1	18.8
Consensus EPS (RMB)	N/A	N/A	1.92	2.42	2.91
P/E (x)	33.6	28.1	23.1	18.9	15.9
P/B (x)	5.2	4.4	3.7	3.1	2.6
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	17.5	17.0	17.4	17.8	17.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB55.09
(Previous TP RMB45.11)
Up/Downside 27.1%
Current Price RMB43.35

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Stock Data

Mkt Cap (RMB mn)	307,785.0
Avg 3 mths t/o (RMB mn)	2,664.3
52w High/Low (RMB)	46.33/25.49
Total Issued Shares (mn)	7100.0

Source: FactSet

Shareholding Structure

Luxshare Ltd	38.3%
HKEX	7.4%

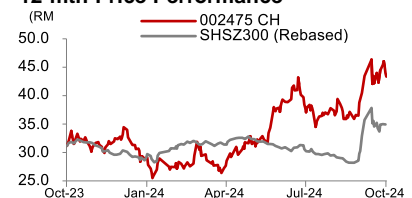
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	12.7%	-3.1%
3-mth	16.9%	0.4%
6-mth	51.9%	35.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Recent Reports:

- Luxshare (002475 CH)-1H24 resilient earnings; Well-positioned for AI smartphone cycle in 2H24/25E ([link](#))
- Luxshare (002475 CH)-FY23 in-line with better-than-feared 1H24 earnings guidance; Solid outlook ahead ([link](#))
- Luxshare (002475 CH)-Acquisition of Pegatron's Kunshan plant to further boost iPhone assembly share gain ([link](#))
- Luxshare (002475 CH)-Recent correction overdone; Accumulate for Apple's share gain and auto/comm. Momentum ([link](#))
- Luxshare (002475 CH)-Resilient FY22/1H23 despite industry headwinds ([link](#))

3Q24 Earnings Review

Figure 1: 3Q24 earnings review

RMB mn	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	Actual QoQ	YoY	Consensus 3Q24E	Diff
Revenue	48,029	57,904	76,031	52,407	51,191	73,579	44%	27%	66,775	10%
Gross profit	5,414	7,969	8,473	5,631	6,495	8,646	33%	8%	8,646	0%
Operating profit	2,772	3,877	4,034	2,808	3,357	4,376	30%	13%	4,064	8%
Adj. Net profit	2,338	3,018	3,578	2,471	2,925	3,679	26%	22%	3,695	0%
Adj. EPS (RMB)	0.36	0.42	0.51	0.35	0.40	0.51	28%	21%	0.52	-2%
Gross margin	11.3%	13.8%	11.1%	10.7%	12.7%	11.8%	-0.9 ppt	-2 ppt	12.9%	-1.2 ppt
Operating margin	5.8%	6.7%	5.3%	5.4%	6.6%	5.9%	-0.6 ppt	-0.7 ppt	6.1%	-0.1 ppt
Adj. net margin	4.9%	5.2%	4.7%	4.7%	5.7%	5.0%	-0.7 ppt	-0.2 ppt	5.5%	-0.5 ppt

Source: Bloomberg, CMBIGM

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	251,444	291,179	335,832	261,580	300,418	342,432	-4%	-3%	-2%
Gross profit	30,133	35,688	41,665	31,574	36,978	42,594	-5%	-3%	-2%
Operating profit	15,402	18,516	21,750	15,522	19,378	23,091	-1%	-4%	-6%
Net profit	13,368	16,327	19,400	13,828	17,425	20,915	-3%	-6%	-7%
EPS (RMB)	1.88	2.30	2.73	1.92	2.42	2.91	-2%	-5%	-6%
Gross margin	12.0%	12.3%	12.4%	12.1%	12.3%	12.4%	-0.1 ppt	-0.1 ppt	0 ppt
Operating margin	6.1%	6.4%	6.5%	5.9%	6.5%	6.7%	0.2 ppt	-0.1 ppt	-0.3 ppt
Net margin	5.3%	5.6%	5.8%	5.3%	5.8%	6.1%	0 ppt	-0.2 ppt	-0.3 ppt

Source: Bloomberg, CMBIGM

Figure 3: Revenue Breakdown

RMB mn	FY21	FY22	FY23	FY24E	FY25E	FY26E
Computer Connectors	7,857	11,280	7,492	7,717	7,949	8,187
...YoY	123%	44%	-34%	3%	3%	3%
Automotive Interconnect	4,143	6,149	9,252	13,694	19,856	28,791
...YoY	46%	48%	50%	48%	45%	45%
Comm. Interconnection	3,269	12,834	14,538	18,173	26,351	38,208
...YoY	44%	293%	13%	25%	45%	45%
Consumer Electronics	134,638	179,667	197,183	208,078	232,674	255,643
...YoY	65%	33%	10%	6%	12%	10%
Casing + Top module	49,727	74,187	78,367	83,367	89,202	91,580
Type-C (Non-Apple)	3,328	3,660	3,660	3,843	4,035	4,237
Dongle	-	-	-	-	-	-
Lightning, wireless, LCP	11,201	12,031	12,225	13,102	12,992	12,893
Acoustics/haptics	6,484	7,052	6,875	6,875	7,206	7,272
Apple Watch	11,839	16,065	18,743	17,993	21,420	21,420
AirPods	46,935	43,130	37,890	39,675	39,467	39,467
Others	5,125	23,542	39,424	43,223	58,352	78,775
Other Connectors	4,039	4,098	3,439	3,783	4,350	5,003
...YoY	97%	1%	-16%	10%	15%	15%
Total	153,946	214,028	231,905	251,444	291,179	335,832
...YoY	66%	39%	8%	8%	16%	15%

Source: Company data, CMBIGM

Figure 4: P&L forecasts

RMB mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	92,501	153,946	214,028	231,905	251,444	291,179	335,832
...YoY	48%	66%	39%	8%	8%	16%	15%
Cost of sales	75,770	135,048	187,929	205,041	221,311	255,490	294,167
Gross profit	16,731	18,898	26,100	26,864	30,133	35,688	41,665
GPM (%)	18.1%	12.3%	12.2%	11.6%	12.0%	12.3%	12.4%
...YoY	34%	13%	38%	3%	12%	18%	17%
SG&A	-5,268	4,532	5,907	6,432	6,739	7,804	9,000
...% of rev	-5.7%	2.9%	2.8%	2.8%	2.7%	2.7%	2.7%
R&D	5,745	6,642	8,447	8,189	8,879	10,282	11,859
...% of rev	6.2%	4.3%	3.9%	3.5%	3.5%	3.5%	3.5%
Operating profit	8,168	8,167	11,154	12,860	15,402	18,516	21,750
OPM (%)	8.8%	5.3%	5.2%	5.5%	6.1%	6.4%	6.5%
...YoY	42%	0%	37%	15%	20%	20%	17%
Net profit	7,225	7,071	9,163	10,953	13,368	16,327	19,400
NPM (%)	7.8%	4.6%	4.3%	4.7%	5.3%	5.6%	5.8%
...YoY	53%	-2%	30%	20%	22%	22%	19%

Source: Company data, CMBIGM

Valuation

Reiterate BUY with new TP of RMB 55.09

We derived our new 12M TP of RMB 55.09 based on 24x FY25E P/E (vs prior 24x FY24E P/E) as we rolled forward our target multiple to FY25E. We believe this is justified as Luxshare continues to deliver strong earnings growth, market share gains and product expansion to capture datacentre, Apple and NEV opportunities in the next 3-5 years.

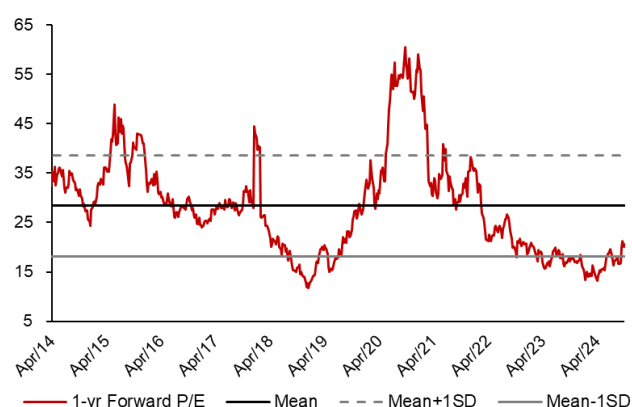
Upcoming catalysts include top module/iPhone share gain, datacenter/auto tier-1 business progress and initial customer feedback of Apple Intelligence deployments in late Oct.

Figure 5: Peers' valuation

Company	Ticker	Rating	Market Cap US\$(mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
A-listed components												
Luxshare	002475 CH	BUY	44,636	43.95	55.1	25%	23.4	19.1	3.7	3.1	16.0	16.4
Goertek	002241 CH	BUY	11,386	23.60	25.9	10%	27.8	22.7	2.3	2.1	8.4	9.5
O-film	002456 CH	NR	5,889	12.66	NA	NA	73.2	46.4	10.0	9.7	7.6	12.1
Sunway	300136 CH	NR	3,236	23.80	NA	NA	31.3	23.8	3.0	2.7	9.8	11.7
BOE	000725 CH	NR	22,325	4.25	NA	NA	27.4	16.1	1.2	1.1	4.2	6.6
Hans Laser	002008 CH	NR	3,577	24.19	NA	NA	14.8	20.9	1.6	1.5	9.3	7.3
Lens Tech	300433 CH	NR	16,185	23.11	NA	NA	28.6	21.6	2.3	2.2	8.3	10.2
Everwin	300115 CH	NR	2,841	14.95	NA	NA	26.1	22.9	2.7	2.4	11.1	11.4
Average							31.6	24.2	3.4	3.1	9.3	10.6
H-listed components												
FIT Hon Teng	6088 HK	BUY	2,693	2.87	4.3	48%	14.3	8.8	1.0	0.9	7.0	10.3
AAC Tech	2018 HK	BUY	4,697	30.45	37.8	24%	19.4	15.5	1.4	1.3	7.0	8.2
Sunny Optical	2382 HK	BUY	6,608	46.90	72.5	55%	18.7	15.7	1.9	1.8	10.1	11.2
Tongda	698 HK	BUY	122	0.10	0.1	26%	32.3	4.9	0.1	0.1	0.4	2.7
BYDE	285 HK	BUY	9,554	32.95	40.9	24%	15.3	10.7	3.6	2.9	23.8	27.5
Q tech	1478 HK	BUY	712	4.67	6.4	38%	14.0	9.3	1.0	0.9	6.9	9.6
TK Group	2283 HK	BUY	189	1.76	2.8	60%	5.2	4.1	0.8	0.7	15.2	17.4
SMIC	981 HK	NR	48,381	28.50	NA	NA	45.3	32.5	1.4	1.4	2.9	4.0
YOFC	6869 HK	NR	2,033	10.22	NA	NA	8.9	7.7	0.6	0.6	6.8	8.1
Cowell	1415 HK	NR	2,342	21.20	NA	NA	23.7	14.4	4.6	3.5	20.3	26.0
Average							19.7	12.4	1.6	1.4	10.0	12.5

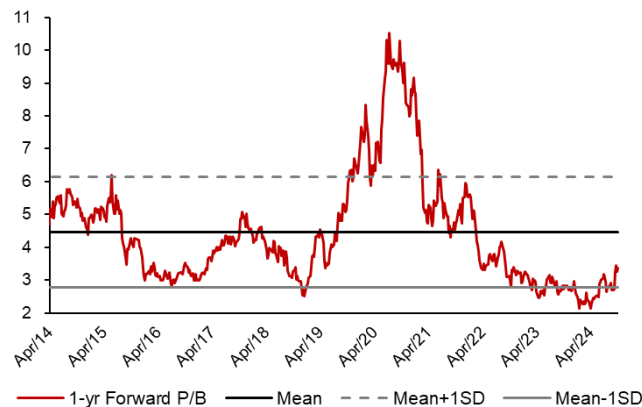
Source: Bloomberg, CMBIGM estimates. *as of the closing price on 24 Oct.

Figure 6: 12M forward P/E band



Source: Bloomberg, CMBIGM

Figure 7: 12M forward P/B band



Source: Bloomberg, CMBIGM

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	153,946	214,028	231,905	251,444	291,179	335,832
Cost of goods sold	(135,048)	(187,929)	(205,041)	(221,311)	(255,490)	(294,167)
Gross profit	18,898	26,100	26,864	30,133	35,688	41,665
Selling expense	(790)	(831)	(889)	(955)	(1,106)	(1,276)
Admin expense	0	0	0	0	0	0
SG&A expense	(3,742)	(5,076)	(5,543)	(5,783)	(6,697)	(7,724)
R&D expense	(6,642)	(8,447)	(8,189)	(8,879)	(10,282)	(11,859)
Others	(1,101)	(3,100)	(3,632)	(3,420)	(3,513)	(3,616)
Other income	854	602	825	754	874	1,007
Gain/loss on financial assets at FVTPL	(116)	14	210	210	210	210
Investment gain/loss	689	998	1,771	1,900	1,900	1,900
Other gains/(losses)	118	895	1,442	1,442	1,442	1,442
EBIT	8,167	11,154	12,860	15,402	18,516	21,750
Net Interest income/(expense)	(555)	(883)	(483)	(531)	(584)	(643)
Other income/expense	(25)	4	25	25	25	25
Pre-tax profit	8,143	11,158	12,885	15,427	18,541	21,775
Income tax	(322)	(667)	(642)	(768)	(924)	(1,085)
After tax profit	7,821	10,491	12,243	14,658	17,617	20,690
Minority interest	750	1,328	1,291	1,291	1,291	1,291
Net profit	7,071	9,163	10,953	13,368	16,327	19,400
Gross dividends	771	927	0	0	0	0
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	72,309	88,292	94,228	121,674	144,333	180,871
Cash & equivalents	14,205	19,367	33,620	41,743	65,474	78,505
Account receivables	31,931	26,993	23,766	31,792	32,463	41,565
Inventories	20,901	37,363	29,758	42,689	40,947	55,350
Prepayment	406	587	487	487	487	487
Financial assets at FVTPL	2,107	1,353	1,721	1,721	1,721	1,721
Other current assets	2,760	2,628	3,242	3,242	3,242	3,242
Non-current assets	48,263	60,092	67,764	65,610	63,838	62,381
PP&E	37,799	46,721	46,787	44,632	42,861	41,404
Deferred income tax	891	1,209	873	873	873	873
Investment in JVs & assos	1,362	2,440	4,482	4,482	4,482	4,482
Intangibles	2,223	2,696	2,663	2,663	2,663	2,663
Goodwill	1,397	1,730	1,729	1,729	1,729	1,729
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	4,591	5,297	11,230	11,230	11,230	11,230
Total assets	120,572	148,384	161,992	187,284	208,171	243,251
Current liabilities	64,831	74,631	74,835	88,394	92,955	108,635
Short-term borrowings	11,920	14,912	20,514	21,514	22,514	23,514
Account payables	45,651	50,302	46,401	58,960	62,521	77,201
Tax payable	0	0	0	0	0	0
Other current liabilities	5,160	7,050	5,590	5,590	5,590	5,590
Accrued expenses	2,100	2,368	2,330	2,330	2,330	2,330
Non-current liabilities	9,959	14,969	16,872	16,872	16,872	16,872
Long-term borrowings	5,025	9,205	12,039	12,039	12,039	12,039
Other non-current liabilities	4,934	5,764	4,833	4,833	4,833	4,833
Total liabilities	74,789	89,600	91,707	105,266	109,827	125,507
Share capital	7,050	7,100	7,148	7,148	7,148	7,148
Retained earnings	24,041	32,288	42,027	55,395	71,721	91,121
Other reserves	4,196	5,952	7,132	7,132	7,132	7,132
Total shareholders equity	45,783	58,784	70,285	83,649	99,976	119,375
Minority interest	10,494	45,343	13,975	13,975	13,975	13,975
Total equity and liabilities	120,572	148,384	161,992	188,915	209,802	244,883

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	8,143	11,158	12,885	15,427	18,541	21,775
Depreciation & amortization	5,188	7,800	10,320	9,154	8,772	8,457
Tax paid	(322)	(667)	(642)	(768)	(924)	(1,085)
Change in working capital	(6,166)	(6,612)	4,281	(8,399)	4,633	(8,827)
Others	120	381	119	(237)	(339)	(442)
Net cash from operations	7,285	12,728	27,605	15,945	31,606	20,964
Investing						
Capital expenditure	(12,567)	(13,584)	(11,387)	(7,000)	(7,000)	(7,000)
Acquisition of subsidiaries/ investments	(54,513)	(9,352)	(25,906)	0	0	0
Net proceeds from disposal of short-term investments	54,095	8,786	16,948	0	0	0
Others	4,606	824	786	0	0	0
Net cash from investing	(8,380)	(13,326)	(19,560)	(7,000)	(7,000)	(7,000)
Financing						
Dividend paid	1,400	1,797	2,531	1,291	1,291	1,291
Net borrowings	(2,622)	8,967	8,533	1,000	1,000	1,000
Proceeds from share issues	2,387	1,597	547	0	0	0
Others	(1,555)	(4,204)	(7,540)	(3,112)	(3,165)	(3,224)
Net cash from financing	(390)	8,156	4,070	(822)	(875)	(933)
Net change in cash						
Cash at the beginning of the year	10,465	8,922	17,312	29,684	37,807	61,538
Exchange difference	(58)	833	256	0	0	0
Cash at the end of the year	8,922	17,312	29,684	37,807	61,538	74,569
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	66.4%	39.0%	8.4%	8.4%	15.8%	15.3%
Gross profit	12.9%	38.1%	2.9%	12.2%	18.4%	16.7%
EBIT	(0.0%)	36.6%	15.3%	19.8%	20.2%	17.5%
Net profit	(2.1%)	29.6%	19.5%	22.0%	22.1%	18.8%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	12.3%	12.2%	11.6%	12.0%	12.3%	12.4%
Return on equity (ROE)	18.4%	17.5%	17.0%	17.4%	17.8%	17.7%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	1.1	1.2	1.3	1.4	1.6	1.7
Receivable turnover days	6.7	7.3	9.1	9.1	9.1	9.1
Inventory turnover days	7.9	6.5	6.1	6.1	6.1	6.1
Payable turnover days	3.9	3.9	4.2	4.2	4.2	4.2
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	43.2	33.6	28.1	23.1	18.9	15.9
P/B	6.7	5.2	4.4	3.7	3.1	2.6
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

Disclosures & Disclaimers

Analyst Certification

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