

FIT Hon Teng (6088 HK)

Decent FY24 results; Expectations reset on softer guidance

FIT Hon Teng reported FY24 revenue growth of 6% which was largely in-line, while net profit growth of 19% YoY was below our/market expectations due to higher opex and one-off expenses. Looking into 2025, we believe mgmt. guidance is solid with low double-digit revenue growth, high-teens gross profit growth, and 5% operating margin (lower opex %). However, stock price was down given 1) potentially softer 2025 sales growth than 20% 3-yr sales CAGR guidance, 2) networking/Airpods ramp-up visibility in 2025, 3) weaker OPM improvement. Following our NDR meetings with mgmt. yesterday (13 mar), we believe the order outlook and project wins remain on track, and with 25% share price correction in past month (vs. HSI +4%), we think long-term entry point has emerged. Maintain BUY with new TP of HK\$3.86 based on same 14.1x FY25E P/E.

Inline 2024 results; solid 2025 guidance with networking/Airpods ramp-up into 2026/27. FIT's FY24 revenue (+6% YoY) was largely in-line while net profit (+19% YoY) was below expectations due to higher opex and one-off M&A-related expenses. By segment, networking/EV/computing grew 39%/ 58%/5% YoY driven by strong AI server, Volterra/Kabel integration and PC recovery, while smartphone/system products posted -10%/flat growth given weak CE market. For 2025, mgmt.'s overall guidance is largely in-line but that for networking/AirPods in 2025 is more conservative than market expectations as some projects are pushed out to 2026.

■ **NDR takeaways: addressing investor concerns on sales guidance and networking /AirPods outlook.** During our NDR meetings yesterday, mgmt. addressed several market concerns: 1) 2025 revenue growth of 19% YoY below 3-yr CARG guidance was due to smartphone headwinds and more conservative ramp-up of AI server/AirPods projects, but 2027 guidance (20% sales CAGR, high-single digit OPM) remains on track; 2) some networking revenue was pushed out to 2026, in-line with market condition of less GB200 and more GB300. 3) AirPods expansion in India is on track and investment into Goertek Vietnam is positive to associate income in 2025.

■ **Execution is the key to drive re-rating in 2025; Maintain BUY.** We revise down our FY25/26E EPS forecasts by 19%/10% to reflect 2025 guidance and market condition. We believe order outlook and project wins remain firm as AI server/AirPods project roadmap is well on track. Our new TP of HK\$3.86 is based on same 14.x FY25E P/E. Maintain BUY. Upcoming catalysts are GTC event, AirPods launches, and GB200/GB300 progress.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E
Revenue (US\$ mn)	4,196	4,451	5,322	6,410
YoY growth (%)	(7.4)	6.1	19.5	20.5
Net profit (US\$ mn)	129.6	154.3	250.1	365.8
YoY growth (%)	(23.8)	19.1	62.1	46.2
EPS (Reported) (US\$ cents)	1.82	2.17	3.52	5.15
Consensus EPS (US\$)	0.00	2.36	3.84	4.64
P/E (x)	19.7	16.6	10.2	7.0
P/B (x)	1.0	1.0	0.9	0.8
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	5.4	6.3	9.6	12.5
Net gearing (%)	0.0	na	0.0	na

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$3.86
(Previous TP)	HK\$4.79)
Up/Downside	38.4%
Current Price	HK\$2.79

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Stock Data

Mkt Cap (HK\$ mn)	20,274.9
Avg 3 mths t/o (HK\$ mn)	144.0
52w High/Low (HK\$)	4.10/1.37
Total Issued Shares (mn)	7267.0

Source: FactSet

Shareholding Structure

Foxconn Far East Ltd	71.1%
Lu Sung-Ching	5.5%

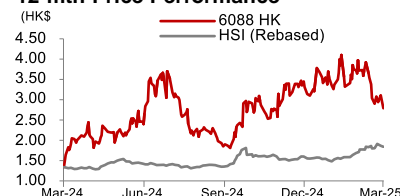
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-25.0%	-30.3%
3-mth	-15.7%	-28.3%
6-mth	46.8%	8.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Reports:

1. FIT Hon Teng (6088 HK) – FY24E Preview: robust earnings recovery; Expect AI server momentum to drive re-rating – 27 Jan 2025 ([link](#))
2. FIT Hon Teng (6088 HK) - NDR takeaway: FY24E guidance on track; Expect 20% rev CAGR in FY25-27E - 12 Dec 2024 ([link](#))
3. FIT Hon Teng (6088 HK) - Upbeat 3-year guidance reaffirmed our positive view; Raise TP to HK\$ 4.38- 14 Nov 2024 ([link](#))
4. FIT Hon Teng (6088 HK) - First take: Earnings in-line with solid margin recovery; Focus on GB200 products in 4Q24E- 13 Nov 2024 ([link](#))

FY24 Results review

Figure 1: FY24 review

(US\$ mn)	FY23	FY24	YoY	CMBI FY24E	Diff (%)	Consensus FY24E	Diff (%)
Revenue	4,196	4,451	6%	4,555	-2%	4,566	-3%
Gross profit	807	879	9%	941	-7%	927	-5%
Operating profit	204	327	60%	315	4%	293	12%
Net profit	129	154	19%	179	-14%	175	-12%
EPS (USD cents)	1.82	2.17	19%	2.53	-14%	2.36	-8%
Gross margin	19.2%	19.7%	0.5ppt	20.6%	-0.9ppt	20.3%	-0.6ppt
Operating margin	6.3%	7.3%	1.1ppt	6.9%	0.4ppt	6.4%	0.9ppt
Net margin	3.1%	3.5%	0.4ppt	3.9%	-0.5ppt	3.8%	-0.4ppt

Source: Company data, CMBIGM estimates

Figure 2: FY24 P&L breakdown

(US\$ 000)	1Q23	2Q23	3Q23	4Q23	FY23	1Q24	2Q24	3Q24	4Q24	FY24
Smartphones	230,000	215,883	296,000	302,452	1,044,335	202,000	214,000	263,000	264,681	942,909
...YoY	-20%	-34%	-26%	23%	-17%	-12%	-1%	-11%	-12%	-10%
Networking	105,000	113,936	97,000	108,857	424,793	114,000	146,729	161,000	168,955	590,684
...YoY	-44%	-34%	-57%	-35%	-44%	9%	29%	66%	55%	39%
Computing	170,000	207,342	212,000	183,943	773,285	180,000	198,226	220,000	211,286	809,512
...YoY	-19%	3%	2%	-8%	-6%	6%	-4%	4%	15%	5%
EV Mobility	38,000	33,644	120,000	113,454	305,098	116,000	111,270	111,000	142,446	480,716
...YoY	-12%	16%	208%	172%	100%	205%	231%	-8%	26%	58%
Systems Products	273,000	305,893	384,000	452,387	1,415,280	296,000	375,576	372,000	372,537	1,416,113
...YoY	0%	9%	9%	5%	6%	8%	23%	-3%	-18%	0%
Others	46,000	45,382	56,000	85,377	232,759	55,000	56,000	47,000	50,829	211,560
...YoY	-10%	18%	10%	27%	12%	20%	23%	-16%	-40%	-9%
Revenue	862,000	922,080	1,165,000	1,246,470	4,195,550	963,000	1,101,801	1,174,000	1,210,734	4,451,494
...YoY	-18%	-12%	-9%	8%	-7%	12%	19%	1%	-3%	6%
Net profit	(9,297)	345	54,906	74,063	128,969	10,201	22,323	68,005	53,203	153,732
NPM (%)	-1.1%	0.04%	4.7%	5.9%	3%	1.1%	2.03%	5.8%	4.4%	3%
...YoY	-130%	-99%	10%	116%	-24%	210%	6370%	24%	-28%	19%

Source: Company data, CMBIGM estimates

Figure 3: Revenue breakdown

US\$ 000	FY22	FY23	1H24	2H24	FY24	FY25E	FY26E
Smartphones	1,261,047	1,044,335	415,228	527,681	942,909	848,618	899,535
...YoY	-3%	-17%	-7%	-12%	-10%	-10%	6%
Networking	753,854	424,793	260,729	329,955	590,684	888,331	1,284,275
...YoY	-14%	-44%	19%	60%	39%	50%	45%
Traditional server		382,314			428,191	449,601	494,561
AI server		42,479			162,493	438,730	789,714
Computing	819,708	773,285	378,226	431,286	809,512	874,273	961,700
...YoY	2%	-6%	0%	9%	5%	8%	10%
Mobility	152,814	305,098	227,270	253,446	480,716	962,927	1,036,102
...YoY	10%	100%	217%	9%	58%	100%	8%
EV business	152,814	137,553	73,793	43,127	116,920	128,612	135,043
Volterra	-	167,545	153,477	210,319	363,796	392,900	424,332
AK Group						441,415	476,728
Systems Products	1,335,580	1,415,280	671,576	744,537	1,416,113	1,557,127	2,028,714
...YoY	20%	6%	16%	-11%	0%	10%	30%
AirPods					233,750	493,000	1,071,000
Others					1,182,363	1,064,127	957,714
Others	207,600	232,759	113,731	97,829	211,560	190,404	199,924
...YoY	-17%	12%	24%	-31%	-9%	-10%	5%
Total	4,530,603	4,195,550	2,066,760	2,384,734	4,451,494	5,321,679	6,410,251
...YoY	0.9%	-7.4%	15.8%	-1.1%	6.1%	19.5%	20.5%

Source: Company data, CMBIGM estimates

Figure 4: P&L forecast

US\$ mn	FY22	FY23	1H24	2H24	FY24	FY25E	FY26E
Revenue	4,531	4,196	2,067	2,385	4,451	5,322	6,410
...YoY	0.9%	-7.4%	15.8%	-1.1%	6.1%	19.5%	20.5%
Cost of sales	(3,763)	(3,388)	(1,646)	(1,927)	(3,573)	(4,216)	(5,025)
Gross profit	768	807	421	457	879	1,105	1,385
GPM (%)	17%	19%	20%	19%	20%	21%	22%
...YoY	14.1%	5.1%	48.8%	-12.7%	8.9%	25.8%	25.3%
SG&A	(223)	(295)	(180)	(193)	(373)	(394)	(455)
...% of rev	-4.9%	-7.0%	-8.7%	-8.1%	-8.4%	-7.4%	-7.1%
R&D	(296)	(308)	(172)	(158)	(330)	(362)	(449)
...% of rev	-6.5%	-7.3%	-8.3%	-6.6%	-7.4%	-6.8%	-7.0%
Operating profit	307	263	93	234	327	435	584
OPM (%)	6.8%	6.3%	4.5%	9.8%	7.3%	8.2%	9.1%
...YoY	74.0%	-14.4%	97.5%	8.3%	24.3%	33.1%	34.2%
Net profit	169	129	33	121	154	249	365
NPM (%)	3.7%	3.1%	1.6%	5.1%	3.5%	4.7%	5.7%
...YoY	23.2%	-23.9%	263.3%	-12.1%	19.2%	62.2%	46.2%

Source: Company data, CMBIGM estimates

Earnings Revision

Figure 5: CMBIGM estimates vs consensus

(US\$ mn)	CMBIGM		Consensus		Diff (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	5,322	6,410	5,569	6,367	-4%	1%
Gross profit	1,105	1,385	1,148	1,329	-4%	4%
Operating profit	435	584	413	513	5%	14%
Net profit	249	365	265	329	-6%	11%
EPS (USD cents)	3.52	5.15	3.84	4.64	-8%	11%
Gross margin	20.8%	21.6%	20.6%	20.9%	0.1 ppt	0.7 ppt
Operating margin	8.2%	9.1%	7.4%	8.1%	0.8 ppt	1 ppt
Net Margin	4.7%	5.7%	4.8%	5.2%	-0.1 ppt	0.5 ppt

Source: Bloomberg, CMBIGM estimates

Figure 6: CMBIGM earnings revisions

(US\$ mn)	New		Old		Diff (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	5,322	6,410	5,925	7,172	-10%	-11%
Gross profit	1,105	1,385	1,252	1,538	-12%	-10%
Operating profit	435	584	482	606	-10%	-4%
Net profit	249	365	309	406	-19%	-10%
EPS (USD cents)	3.52	5.15	4.37	5.73	-19%	-10%
Gross margin	20.8%	21.6%	21.1%	21.4%	-0.4 ppt	0.2 ppt
Operating margin	8.2%	9.1%	8.1%	8.4%	0 ppt	0.7 ppt
Net Margin	4.7%	5.7%	5.2%	5.7%	-0.5 ppt	0 ppt

Source: Bloomberg, CMBIGM estimates

Valuation

Maintain BUY with new TP of HK\$3.86

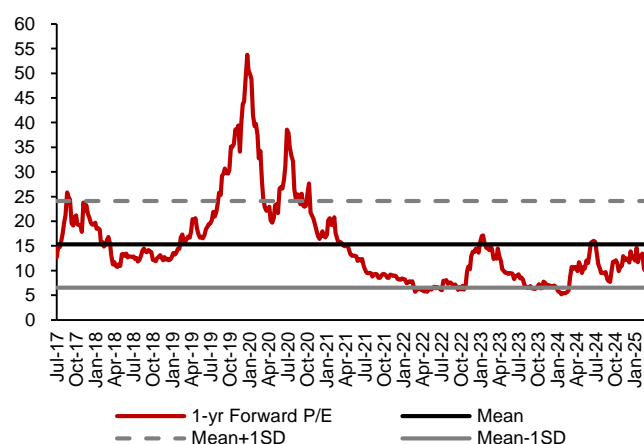
We revise down our FY25/26E EPS forecasts by 19%/10% to reflect 2025 guidance and market condition. We believe order outlook and project wins remain firm as AI server/AirPods project roadmap is well on track. Our new TP of HK\$3.86 is based on same 14.1x FY25E P/E. Maintain BUY. Upcoming catalysts include GTC event, Auto-Kabel deal progress, GB200/GB300 supply chain updates and GPU socket applications.

Figure 7: 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
Global Connectors												
TE	TEL US	NR	42,718	143.18	NA	NA	17.7	16.0	3.3	3.2	18.8	19.6
Amphenol	APH US	NR	76,092	62.83	NA	NA	27.1	24.1	6.7	5.6	26.9	25.7
Fabrinet	FN US	NR	7,266	201.88	NA	NA	19.7	17.6	3.7	3.1	19.5	20.0
Aviat	6807 JP	NR	1,301	2738.00	NA	NA	15.7	13.4	1.4	1.3	8.9	10.2
Hirose	6806 JP	NR	4,238	17570.00	NA	NA	18.6	17.2	1.6	1.5	8.6	9.0
Luxshare	002475 CH	BUY	40,318	40.37	55.1	36%	17.6	13.8	2.9	2.8	16.4	20.7
Foxconn	2354 TT	NR	2,943	68.60	NA	NA	16.7	14.6	0.6	0.6	5.3	5.9
Hon Hai	2317 TT	NR	70,774	168.00	NA	NA	11.5	9.9	1.3	1.1	11.5	12.2
Average							18.1	15.8	2.7	2.4	14.5	15.4
China technology												
FIT Hon Teng	6088 HK	BUY	2,619	2.79	3.86	38%	10.2	7.0	0.9	0.8	9.0	11.7
AAC Tech	2018 HK	BUY	7,832	51.20	53.48	4%	23.8	21.2	2.1	2.1	9.0	10.0
Sunny Optical	2382 HK	BUY	12,143	86.20	102.89	19%	24.7	22.3	3.2	2.9	12.9	13.3
Tongda	698 HK	BUY	104	0.08	0.12	47%	4.2	-	0.1	-	2.7	3.6
BYDE	285 HK	BUY	14,235	49.10	48.66	-1%	15.4	12.2	2.7	2.3	17.4	19.0
Q tech	1478 HK	BUY	1,114	7.31	6.79	-7%	13.7	10.6	1.4	1.3	10.3	12.0
TK Group	2283 HK	BUY	210	1.96	2.82	44%	4.6	3.8	0.8	-	17.4	19.4
YOFC	6869 HK	NR	2,881	18.24	NA	NA	13.7	11.8	1.0	1.0	8.3	9.0
Cowell	1415 HK	NR	3,202	28.85	NA	NA	17.4	13.1	4.6	3.5	28.9	28.3
Average							14.2	12.8	1.9	2.0	12.9	14.0

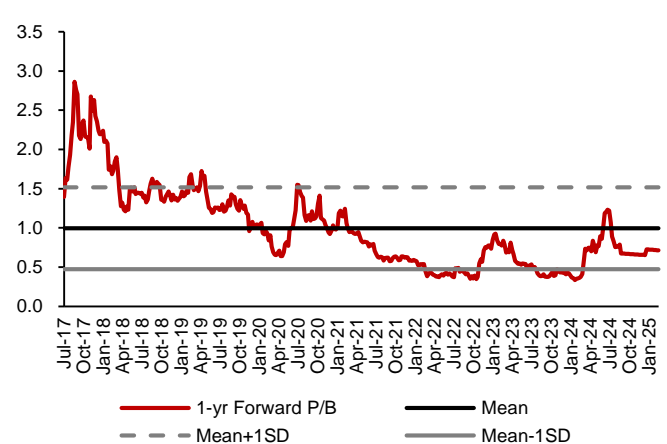
Source: Bloomberg, CMBIGM estimates

Figure 8: 12M forward P/E band



Source: Company data, Bloomberg, CMBIGM estimates

Figure 9: 12M forward P/B band



Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	na
YE 31 Dec (US\$ mn)						
Revenue	4,531	4,196	4,451	5,322	6,410	na
Cost of goods sold	(3,763)	(3,388)	(3,573)	(4,216)	(5,025)	na
Gross profit	768	807	879	1,105	1,385	na
Selling expense	(93)	(105)	(131)	(144)	(167)	na
Admin expense	(130)	(191)	(242)	(250)	(288)	na
R&D expense	(296)	(308)	(330)	(362)	(449)	na
Others	58	61	152	85	103	na
Operating profit	307	263	327	435	584	na
Share of (losses)/profits of associates/JV	(46)	(50)	(58)	(58)	(58)	na
Interest expense	(14)	(33)	(48)	(43)	(38)	na
Pre-tax profit	248	179	221	334	488	na
Income tax	(78)	(50)	(66)	(83)	(122)	na
Minority interest	1	1	1	1	1	na
Net profit	170	130	154	250	366	na

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	na
YE 31 Dec (US\$ mn)						
Current assets	2,764	3,112	3,160	3,264	4,057	na
Cash & equivalents	914	1,316	1,113	807	1,193	na
Account receivables	720	807	910	1,143	1,330	na
Inventories	967	802	904	1,081	1,302	na
ST bank deposits	66	4	42	42	42	na
Non-current assets	1,783	1,982	2,311	2,706	2,564	na
PP&E	753	900	1,191	1,587	1,445	na
Deferred income tax	131	126	132	132	132	na
Investment in JVs & assos	123	73	15	15	15	na
Intangibles	601	700	728	728	728	na
Other non-current assets	175	182	244	244	244	na
Total assets	4,547	5,094	5,470	5,970	6,622	na
Current liabilities	1,539	2,563	2,241	2,491	2,777	na
Short-term borrowings	453	1,383	904	904	904	na
Account payables	971	1,095	1,271	1,521	1,807	na
Tax payable	98	70	51	51	51	na
Other current liabilities	18	17	15	15	15	na
Non-current liabilities	661	93	746	746	746	na
Long-term borrowings	575	0	634	634	634	na
Obligations under finance leases	43	41	53	53	53	na
Other non-current liabilities	43	52	59	59	59	na
Total liabilities	2,200	2,656	2,987	3,237	3,523	na
Share capital	142	142	142	142	142	na
Other reserves	2,295	2,384	2,422	2,672	3,038	na
Total shareholders equity	2,347	2,437	2,483	2,733	3,099	na
Minority interest	2	3	10	10	10	na
Total equity and liabilities	4,547	5,094	5,470	5,970	6,622	na

CASH FLOW	2022A	2023A	2024A	2025E	2026E	na
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	248	179	221	334	488	na
Depreciation & amortization	232	220	420	504	542	na
Tax paid	(79)	(75)	(66)	(83)	(122)	na
Change in working capital	93	146	(29)	(160)	(122)	na
Others	63	103	(293)	0	0	na
Net cash from operations	556	574	253	594	786	na
Investing						
Capital expenditure	(113)	(243)	(800)	(900)	(400)	na
Acquisition of subsidiaries/ investments	0	0	0	0	0	na
Others	47	(167)	325	0	0	na
Net cash from investing	(66)	(410)	(475)	(900)	(400)	na
Financing						
Dividend paid	0	0	0	0	0	na
Net borrowings	0	0	0	0	0	na
Proceeds from share issues	0	0	0	0	0	na
Share repurchases	(2)	(1)	0	0	0	na
Others	(268)	250	59	0	0	na
Net cash from financing	(270)	249	59	0	0	na
Net change in cash						
Cash at the beginning of the year	769	914	1,316	1,113	807	na
Exchange difference	(75)	(10)	0	0	0	na
Cash at the end of the year	914	1,316	1,113	807	1,193	na
GROWTH	2022A	2023A	2024A	2025E	2026E	na
YE 31 Dec						
Revenue	0.9%	(7.4%)	6.1%	19.5%	20.5%	na
Gross profit	14.1%	5.1%	8.9%	25.8%	25.3%	na
Operating profit	74.0%	(14.4%)	24.3%	33.1%	34.2%	na
Net profit	24.5%	(23.8%)	19.1%	62.1%	46.2%	na
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	na
YE 31 Dec						
Gross profit margin	16.9%	19.2%	19.7%	20.8%	21.6%	na
Operating margin	6.8%	6.3%	7.3%	8.2%	9.1%	na
Return on equity (ROE)	7.2%	5.4%	6.3%	9.6%	12.5%	na
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	na
YE 31 Dec						
Net debt to equity (x)	na	0.0	na	0.0	na	na
Current ratio (x)	1.8	1.2	1.4	1.3	1.5	na
Receivable turnover days	0.0	0.0	0.0	0.0	0.0	na
Inventory turnover days	0.0	0.0	0.0	0.0	0.0	na
Payable turnover days	0.0	0.0	0.0	0.0	0.0	na
VALUATION	2022A	2023A	2024A	2025E	2026E	na
YE 31 Dec						
P/E	14.8	19.7	16.6	10.2	7.0	na
P/B	1.1	1.0	1.0	0.9	0.8	na
Div yield (%)	0.0	0.0	0.0	0.0	0.0	na

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

Disclosures & Disclaimers

Analyst Certification

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