

# TK Group (2283 HK)

## Solid FY24 with special dividend; Positive outlook on wearables/AI glasses and overseas expansion

TK Group's FY24 revenue/net profit growth of 21%/28% YoY is largely in-line with our/consensus estimates, mainly driven by CE demand recovery, brand customers' product launches, communications recovery, rising utilization and operating efficiency. Mgmt. reiterated its positive view on 2025 outlook and strong order backlogs focusing on smart wearable/AI glasses, AR/VR and high-end earphones. In addition, TK announced special dividend of HK\$0.1 per share, and 2024 payout ratio reached 73%. We revised down our FY25-26E EPS estimates to factor in FY24 results, expenses for capacity expansion and one-off consulting fee in FY25E. Overall, our new TP of HK\$2.78 is based on 8.8x FY25E P/E (vs prior 8.2x P/E), in-line with 8-year avg. P/E, given more positive outlook in wearables/AI glasses and higher earnings visibility into FY25/26E. Trading at 5.7x/4.5x FY25/26E P/E with 7.9% yield, we think the stock is attractive. BUY.

■ **Solid FY24 results on CE demand recovery, order wins and operating efficiency.** TK's FY24 revenue/net profit growth of 21%/28% YoY is largely in-line driven by CE market recovery, mobile & wearable order wins, rising utilization and operating efficiency. By segment, **1) Mobile & wearable** (Meta, Bose, SONOS, 360): 41.7% YoY growth driven by wireless headset and smart bracelet customers' product launches; **2) Communications** (POLY): 35.3% YoY growth thanks to major client's new-gen products well recognized by the market; **3) Smart home** (Amazon, Google): 4.7% YoY growth on stable demand; **4) Medical and personal health care** (Philips, IVD): 0.2% YoY stable growth; **5) Automobile:** 11.5% YoY decline; **6) Electronic atomizers:** 10.5% YoY growth on new products.

■ **2025 Outlook: strong order backlog and overseas capacity expansion.** After the rebound of consumer electronics market in 2024, mgmt. guided order backlog growth of 7% YoY in FY25, with focus on smart wearables (e.g. AI glasses), AR/VR and high-end earphones. For 2025 capex, mgmt. guided HK\$40-50mn for capacity expansion in Vietnam, Shenzhen and Suzhou. In addition, mgmt. expects SG&A expenses ratio of 15-16% in FY25E. Overall, we forecast FY25E revenue/net profit to grow 15%/28% YoY.

■ **Positive outlook on order wins in wearables and AI glasses; Maintain BUY.** We revise down our FY25-26E EPS estimates to reflect FY24 results, expenses for capacity expansion and one-off consulting fee in FY25E. Overall, our new TP of HK\$2.78 is based on 8.8x FY25E P/E (vs prior 8.2x P/E), in-line with 8-year avg. P/E, given more positive outlook and higher earnings visibility into FY25/26E. Maintain BUY.

### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (HK\$ mn)	1,946	2,358	2,625	3,029	3,397
YoY growth (%)	(14.6)	21.2	11.3	15.4	12.2
Net profit (HK\$ mn)	204.2	261.9	294.0	376.8	425.6
YoY growth (%)	(10.0)	28.2	12.3	28.2	12.9
EPS (Reported) (HK\$)	0.25	0.32	0.36	0.46	0.51
YoY growth (%)	(9.8)	28.2	12.3	28.2	12.9
Consensus EPS (HK\$)	na	na	0.43	0.51	-
P/E (x)	8.2	6.4	5.7	4.5	3.9
P/B (x)	1.0	1.0	0.9	0.8	0.7
Yield (%)	10.1	11.3	7.9	10.1	11.4
ROE (%)	12.4	15.4	16.4	19.1	19.4

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

**Target Price** **HK\$2.78**  
(Previous TP **HK\$2.82**)  
**Up/Downside** **37.2%**  
**Current Price** **HK\$2.03**

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### Stock Data

Mkt Cap (HK\$ mn)	1,680.8
Avg 3 mths t/o (HK\$ mn)	1.7
52w High/Low (HK\$)	2.52/1.28
Total Issued Shares (mn)	828.0

Source: FactSet

### Shareholding Structure

Eastern Mix Co Ltd	42.9%
Li Pui Leung	10.7%

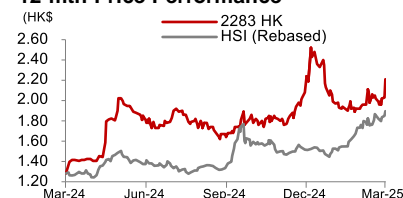
Source: HKEX

### Share Performance

	Absolute	Relative
1-mth	5.7%	-1.0%
3-mth	-2.4%	-20.4%
6-mth	23.8%	-9.5%

Source: FactSet

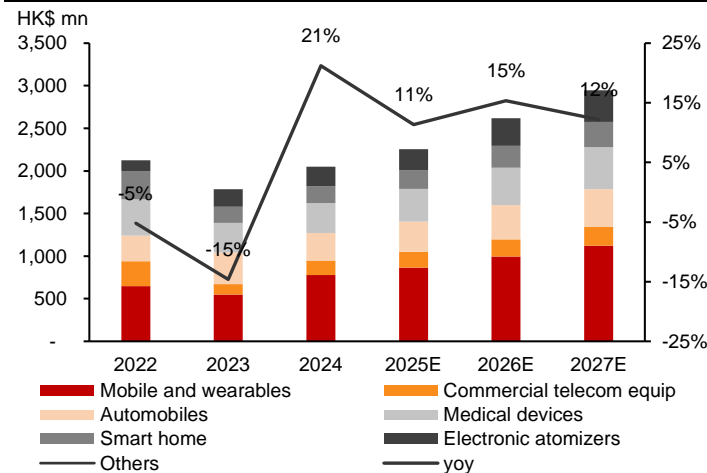
### 12-mth Price Performance



Source: FactSet

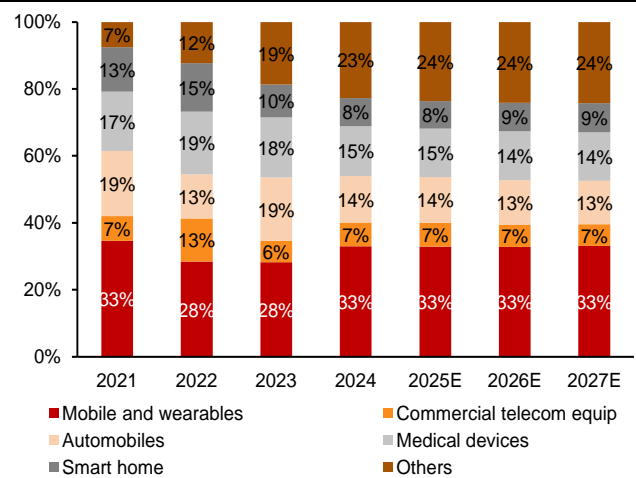
## Focus Charts

**Figure 1: TK Group revenue trend**



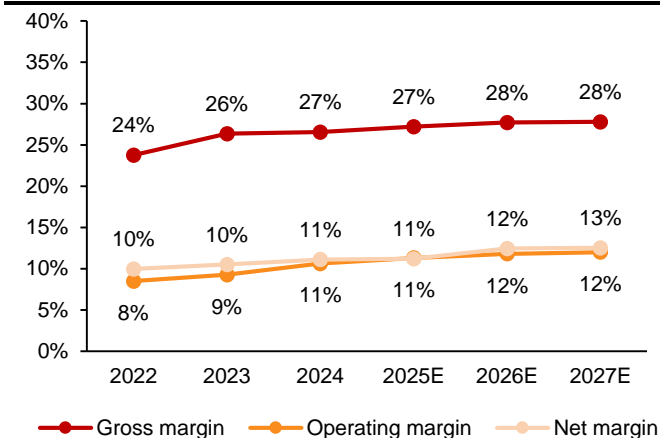
Source: Company data, CMBIGM estimates

**Figure 2: TK Group revenue mix**



Source: Company data, CMBIGM estimates

**Figure 3: TK Group margin trend**



Source: Company data, CMBIGM estimates

**Figure 4: 2024 top six customers details**

#	Company name	Industry	Product category
1	A leading healthcare product brand	Medical and personal health care	Mold and plastic products
2	A leading wireless headset brand	Mobile phones and wearable devices	Mold and plastic products
3	POLY	Communications equipment	Mold and plastic products
4	A leading smoking cessation products solution provider	Electronic atomizers	Mold and plastic products
5	A leading smartphone accessory brand	Mobile phones and wearable devices	Mold and plastic products
6	A leading professional sports headphone brand	Mobile phones and wearable devices	Mold and plastic products

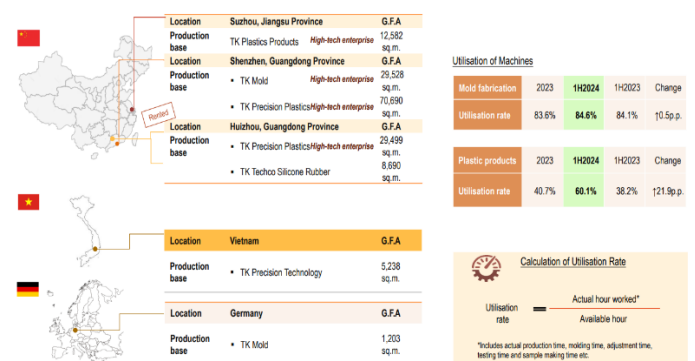
Source: Company data, CMBIGM

**Figure 5: Key areas to drive future growth**



Source: Company data, CMBIGM

**Figure 6: TK Group global production footprint**



Source: Company data, CMBIGM

## FY24 Results Review

Figure 7: TK Group revenue breakdown

HK\$ mn	FY23	1H24	2H24	FY24	FY25E	FY26E	FY27E
Mobile phones and wearable	550	326	453	779	865	994	1124
...YoY	-15%	51%	36%	42%	11%	15%	13%
Medical and personal healthcare	350	143	208	350	382	439	492
...YoY	-18%	-8%	7%	0%	9%	15%	12%
Commercial telecom equipment	124	90	78	168	184	203	221
...YoY	-58%	44%	26%	35%	10%	10%	9%
Automobiles	369	144	183	326	359	402	442
...YoY	23%	-11%	-12%	-11%	10%	12%	10%
Smart home	190	100	99	199	215	258	296
...YoY	-43%	8%	1%	5%	8%	20%	15%
Electronic atomizers	205	96	131	227	249	324	373
...YoY	63%	-7%	28%	10%	10%	30%	15%
Others	159	109	200	310	372	409	450
...YoY	30%	22%	69%	47%	16%	18%	15%
<b>Total</b>	<b>1,946</b>	<b>1,007</b>	<b>1,351</b>	<b>2,358</b>	<b>2,625</b>	<b>3,029</b>	<b>3,397</b>
...YoY	-15%	18%	24%	21%	11%	15%	12%

Source: Company data, CMBIGM estimates

Figure 8: P&L forecast

HK\$ mn	FY23	1H24	2H24	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>1,946</b>	<b>1,007</b>	<b>1,351</b>	<b>2,358</b>	<b>2,625</b>	<b>3,029</b>	<b>3,397</b>
...YoY	-14.6%	17.7%	24.0%	21.2%	11.3%	15.4%	12.2%
Cost of sales	(1,433)	(757)	(975)	(1,732)	(1,911)	(2,190)	(2,453)
<b>Gross profit</b>	<b>513</b>	<b>250</b>	<b>376</b>	<b>626</b>	<b>714</b>	<b>839</b>	<b>944</b>
GPM (%)	26.4%	24.8%	27.8%	26.5%	27.2%	27.7%	27.8%
...YoY	-5.3%	25.2%	20.0%	22.0%	14.1%	17.5%	12.5%
SG&A	(333)	(170)	(206)	(375)	(417)	(482)	(537)
...% of rev	17.1%	16.9%	15.2%	15.9%	15.9%	15.9%	15.8%
<b>Operating profit</b>	<b>180</b>	<b>80</b>	<b>170</b>	<b>250</b>	<b>297</b>	<b>358</b>	<b>407</b>
OPM (%)	9.3%	8.0%	12.6%	10.6%	11.3%	11.8%	12.0%
...YoY	-6.9%	66.1%	29.0%	38.9%	18.5%	20.5%	13.9%
<b>Net profit</b>	<b>204</b>	<b>80</b>	<b>182</b>	<b>262</b>	<b>294</b>	<b>377</b>	<b>426</b>
NPM (%)	10.5%	7.9%	13.5%	11.1%	11.2%	12.4%	12.5%
...YoY	-10.0%	45.8%	21.8%	28.2%	12.3%	28.2%	12.9%

Source: Company data, CMBIGM estimates

## Earnings Revision

Figure 9: Earnings revision

(HK\$ mn)	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
<b>Revenue</b>	2,422	2,793	3,227	2,339	2,705	3,135	4%	3%	3%
Gross profit	661	773	905	636	720	848	4%	7%	7%
Operating profit	262	318	379	248	293	359	6%	9%	6%
Net profit	284	357	419	281	335	399	1%	7%	5%
EPS HK\$)	0.34	0.43	0.51	0.34	0.40	0.48	1%	7%	5%
Gross margin	27.3%	27.7%	28.0%	27.2%	26.6%	27.0%	0.1 ppt	1.1 ppt	1 ppt
Operating margin	10.8%	11.4%	11.7%	10.6%	10.8%	11.4%	0.2 ppt	0.6 ppt	0.3 ppt
Net Margin	11.7%	12.8%	13.0%	12.0%	12.4%	12.7%	-0.3 ppt	0.4 ppt	0.3 ppt

Source: Company data, CMBIGM estimates

## Valuation

### Maintain BUY with new TP of HK\$2.78

We revise down our FY25-26E EPS estimates to factor in FY24 results, expenses for capacity expansion and one-off consulting fee in FY25E. Overall, our new TP of HK\$2.78 is based on 8.8x FY25E P/E (vs prior 8.2x P/E), in-line with 8-year avg. P/E, given more positive outlook in wearables/AI glasses and higher earnings visibility into FY25/26E. Trading at 5.7x/4.5x FY25/26E PE with 7.9% yield, we think the stock is attractive. BUY.

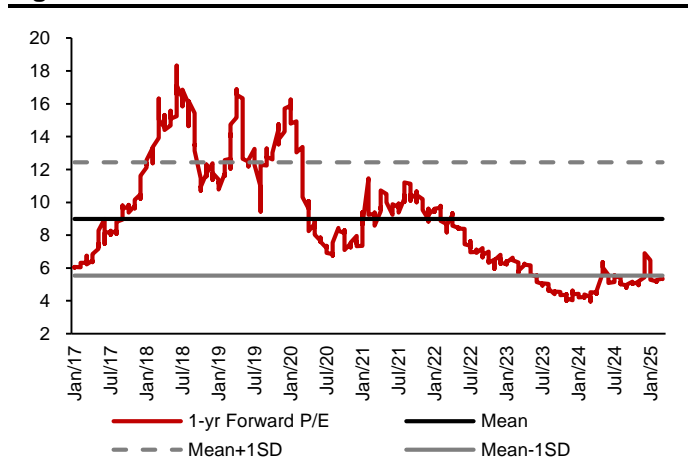
Upcoming catalysts include AI glasses updates, smart home product rollouts and overseas expansion progress. Major risks include slower recovery and weak macro environment.

**Figure 10: Peers' valuation**

Company	Ticker	Rating	Mkt Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
TK Group	2283 HK	BUY	237	2.03	2.78	37%	5.7	4.5	0.9	0.8	16.4	19.1
Tongda	698 HK	BUY	103	0.08	0.12	49%	4.1	-	0.1	-	2.7	3.6
BYDE	285 HK	BUY	15,182	52.35	48.66	-7%	16.4	13.0	2.9	2.5	17.4	19.0
Sunny Optical	2382 HK	BUY	12,464	88.45	102.89	16%	25.3	22.8	3.3	2.9	12.9	13.2
AAC Tech	2018 HK	BUY	8,125	53.10	53.48	1%	24.7	21.9	2.2	2.1	9.0	10.0
Q tech	1478 HK	BUY	1,316	8.63	9.25	7%	16.1	12.9	1.7	1.5	10.3	11.6
FIT Hon Teng	6088 HK	BUY	2,723	2.90	3.86	33%	10.6	7.3	1.0	0.9	9.0	11.7
Cowell	1415 HK	NR	3,191	28.75	NA	NA	17.4	13.1	4.5	3.5	28.9	28.3
YOFC	6869 HK	NR	2,982	19.14	NA	NA	14.3	12.3	1.1	1.0	8.3	9.0
Average							15.0	13.5	2.0	1.9	12.7	13.9

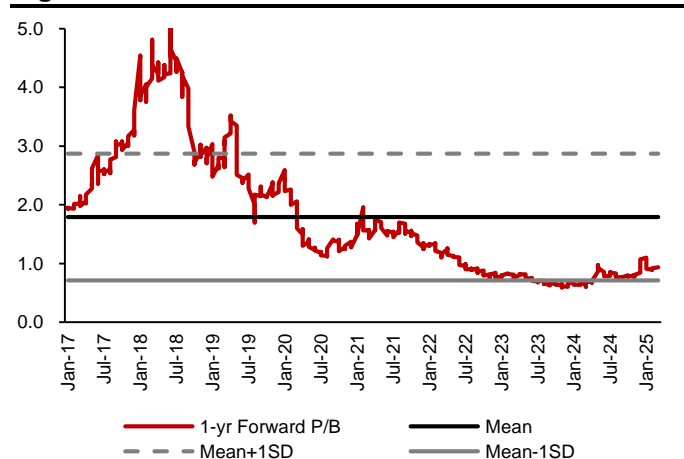
Source: Bloomberg, CMBIGM estimates

**Figure 11: 12M forward P/E band**



Source: Bloomberg, CMBIGM

**Figure 12: 12M forward P/B band**



Source: Bloomberg, CMBIGM

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
<b>Revenue</b>	<b>2,279</b>	<b>1,946</b>	<b>2,358</b>	<b>2,625</b>	<b>3,029</b>	<b>3,397</b>
Cost of goods sold	(1,738)	(1,433)	(1,732)	(1,911)	(2,190)	(2,453)
<b>Gross profit</b>	<b>541</b>	<b>513</b>	<b>626</b>	<b>714</b>	<b>839</b>	<b>944</b>
Selling expense	(67)	(57)	(71)	(76)	(88)	(99)
Admin expense	(281)	(275)	(304)	(341)	(394)	(438)
<b>Operating profit</b>	<b>194</b>	<b>180</b>	<b>250</b>	<b>297</b>	<b>358</b>	<b>407</b>
Other income	45	48	53	58	67	75
Other gains/(losses)	10	6	11	(29)	(6)	(7)
Share of (losses)/profits of associates/JV	(2)	(8)	1	0	0	0
Interest income	23	23	23	20	25	25
Interest expense	(10)	(12)	(5)	0	0	0
<b>Pre-tax profit</b>	<b>259</b>	<b>237</b>	<b>333</b>	<b>346</b>	<b>443</b>	<b>501</b>
Income tax	(32)	(33)	(71)	(52)	(66)	(75)
<b>Net profit</b>	<b>227</b>	<b>204</b>	<b>262</b>	<b>294</b>	<b>377</b>	<b>426</b>
Net dividends	95	169	190	132	170	192

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
<b>Current assets</b>	<b>2,007</b>	<b>1,871</b>	<b>2,039</b>	<b>2,283</b>	<b>2,539</b>	<b>2,806</b>
Cash & equivalents	1,114	1,158	1,009	1,258	1,265	1,554
Restricted cash	0	0	1	1	1	1
Account receivables	343	353	454	345	560	442
Inventories	392	360	420	523	557	653
Financial assets at FVTPL	0	0	0	0	0	0
Other current assets	157	0	155	155	155	155
<b>Non-current assets</b>	<b>691</b>	<b>581</b>	<b>538</b>	<b>535</b>	<b>543</b>	<b>557</b>
PP&E	486	412	356	353	361	374
Right-of-use assets	112	92	96	96	96	96
Deferred income tax	2	5	3	3	3	3
Investment in JVs & assos	25	17	18	18	18	18
Intangibles	132	107	106	106	106	106
Financial assets at FVTPL	34	34	44	44	44	44
Other non-current assets	(100)	(87)	(85)	(85)	(85)	(85)
<b>Total assets</b>	<b>2,698</b>	<b>2,452</b>	<b>2,577</b>	<b>2,818</b>	<b>3,082</b>	<b>3,362</b>
<b>Current liabilities</b>	<b>916</b>	<b>678</b>	<b>774</b>	<b>854</b>	<b>910</b>	<b>957</b>
Short-term borrowings	286	26	0	0	0	0
Account payables	349	335	436	480	527	566
Tax payable	4	20	19	55	64	71
Other current liabilities	0	0	0	0	0	0
Lease liabilities	75	68	70	70	70	70
Contract liabilities	201	229	249	249	249	249
<b>Non-current liabilities</b>	<b>176</b>	<b>88</b>	<b>91</b>	<b>91</b>	<b>91</b>	<b>91</b>
Long-term borrowings	61	0	0	0	0	0
Deferred income	43	37	32	32	32	32
Other non-current liabilities	72	52	60	60	60	60
<b>Total liabilities</b>	<b>1,092</b>	<b>766</b>	<b>865</b>	<b>945</b>	<b>1,002</b>	<b>1,048</b>
Share capital	83	83	83	83	83	83
Capital surplus	251	251	251	251	251	251
Retained earnings	1,216	1,316	1,391	1,553	1,760	1,994
Other reserves	70	52	(2)	(2)	(2)	(2)
<b>Total shareholders equity</b>	<b>1,606</b>	<b>1,685</b>	<b>1,711</b>	<b>1,873</b>	<b>2,080</b>	<b>2,314</b>
<b>Total equity and liabilities</b>	<b>2,698</b>	<b>2,452</b>	<b>2,577</b>	<b>2,818</b>	<b>3,082</b>	<b>3,362</b>

<b>CASH FLOW</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec (HK\$ mn)</b>						
<b>Operating</b>						
Profit before taxation	259	237	333	346	443	501
Depreciation & amortization	227	215	160	173	189	207
Tax paid	(54)	(28)	(72)	(16)	(58)	(67)
Change in working capital	7	8	(60)	49	(201)	61
Others	(67)	13	5	0	0	0
<b>Net cash from operations</b>	<b>372</b>	<b>445</b>	<b>365</b>	<b>553</b>	<b>373</b>	<b>701</b>
<b>Investing</b>						
Capital expenditure	(144)	(69)	(148)	(171)	(197)	(221)
Acquisition of subsidiaries/ investments	(12)	0	0	0	0	0
Others	19	14	4	0	0	0
<b>Net cash from investing</b>	<b>(137)</b>	<b>(55)</b>	<b>(144)</b>	<b>(171)</b>	<b>(197)</b>	<b>(221)</b>
<b>Financing</b>						
Dividend paid	(95)	(95)	(190)	(132)	(170)	(192)
Net borrowings	32	(166)	(26)	0	0	0
Others	(79)	(89)	(5)	0	0	0
<b>Net cash from financing</b>	<b>(142)</b>	<b>(350)</b>	<b>(220)</b>	<b>(132)</b>	<b>(170)</b>	<b>(192)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	1,028	1,114	1,158	1,009	1,258	1,265
Exchange difference	(5)	3	0	0	0	0
<b>Cash at the end of the year</b>	<b>1,114</b>	<b>1,158</b>	<b>1,009</b>	<b>1,258</b>	<b>1,265</b>	<b>1,554</b>
<b>GROWTH</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Revenue	(5.2%)	(14.6%)	21.2%	11.3%	15.4%	12.2%
Gross profit	(4.9%)	(5.3%)	22.0%	14.1%	17.5%	12.5%
Operating profit	(20.3%)	(6.9%)	38.9%	18.5%	20.5%	13.9%
Net profit	(19.6%)	(10.0%)	28.2%	12.3%	28.2%	12.9%
<b>PROFITABILITY</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Gross profit margin	23.7%	26.4%	26.5%	27.2%	27.7%	27.8%
Operating margin	8.5%	9.3%	10.6%	11.3%	11.8%	12.0%
Return on equity (ROE)	14.1%	12.4%	15.4%	16.4%	19.1%	19.4%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Current ratio (x)	2.2	2.8	2.6	2.7	2.8	2.9
Receivable turnover days	51.8	56.6	55.4	48.0	48.0	48.0
Inventory turnover days	93.2	95.8	82.1	90.0	90.0	90.0
Payable turnover days	56.5	60.8	54.8	60.0	60.0	60.0
<b>VALUATION</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
P/E	7.4	8.2	6.4	5.7	4.5	3.9
P/E (diluted)	7.4	8.2	6.4	5.7	4.5	3.9
P/B	1.0	1.0	1.0	0.9	0.8	0.7
Div yield (%)	5.6	10.1	11.3	7.9	10.1	11.4

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



# Disclosures & Disclaimers

## Analyst Certification

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