

BYDE (285 HK)

2H24 first take: NP miss on weak GPM; Positive on auto/AI server/Apple in 2025

BYDE posted 2H24 revenue of RMB98.7bn (+34% YoY), largely in-line, but net profit of RMB2.75bn (+9% YoY) is 9%/18% below our/consensus estimates, mainly dragged by weaker GPM at 7.0% (vs 8.2% in 2H23). By segment, 1) CE assembly/components sales grew 21%/136% YoY on high-end Android and Apple share gains, 2) auto biz jumped 60% YoY on strong shipment and product launches, 3) new intelligent declined 15% YoY due to weak household energy storage. Mgmt. will host an analyst briefing at 11:20am HKT today (25 Mar), and we will look for details on 1) GPM outlook given 2H24 miss, 2) Apple's product pipeline and guidance (iPad/iPhone/smart home), 3) NEV progress and margin trend, and 4) AI server ODM/component business updates.

■ **2H24 strong revenue dragged by GPM weakness.** BYDE's strong 2H24 revenue growth of 34% YoY is largely in-line, backed by strong high-end Android ODM/component, Jabil's consolidation (iPhone casing), and strong NEV business (cockpit/ADAS/suspension/thermal). By segment, assembly/component/automobile sales delivered 21%/136%/60% YoY growth, while new intelligent biz dropped 15% YoY. 2H24 GPM declined 1.2ppts to 7.0% resulting in earnings growth of 9% YoY, 9%/18% below our/consensus estimates. For 4Q24, revenue/net profit grew 46%/21% YoY.

■ **2025 outlook: iPhone/iPad share gains, Jabil profitability, ADAS/cockpit system, AI servers.** Looking into 2025, we remain positive on iPhone/iPad share gains, resilient high-end Android demand, automotive ADAS/cockpit system and AI server biz expansion. In terms of margin, we expect high-end Android casing and iPhone casing should deliver better margin in 2025, and automotive thermal/suspension system ramp-up should offset margin pressure.

■ **Analyst briefing to focus on margin outlook and Apple/auto/AI server updates; Maintain BUY.** Overall, we maintain our positive view on BYDE's business outlook in FY25E despite near-term GPM pressure. During the analyst briefing today, we will look for more details on 1) GPM outlook given 2H24 miss, 2) Apple business guidance (iPad/iPhone/smart home), 3) NEV progress and margin trend, and 4) AI server business updates (ODM/components). Maintain BUY.

Earnings Summary

| (YE 31 Dec) | FY22A | FY23A | FY24E | FY25E | FY26E |
|----------------------|---------|---------|---------|---------|---------|
| Revenue (RMB mn) | 107,186 | 129,957 | 177,306 | 203,533 | 229,412 |
| YoY growth (%) | 20.4 | 21.2 | 36.4 | 14.8 | 12.7 |
| Net profit (RMB mn) | 1,857.6 | 4,041.4 | 4,265.6 | 6,436.3 | 8,100.3 |
| YoY growth (%) | (19.6) | 117.6 | 5.5 | 50.9 | 25.9 |
| EPS (Reported) (RMB) | 0.82 | 1.79 | 1.89 | 2.86 | 3.60 |
| Consensus EPS (RMB) | 0.00 | 0.00 | 2.16 | 2.94 | 3.68 |
| P/E (x) | 53.1 | 24.4 | 23.1 | 15.3 | 12.2 |
| P/B (x) | 3.8 | 3.4 | 3.0 | 2.7 | 2.3 |
| Yield (%) | 0.4 | 1.2 | 1.3 | 2.0 | 2.5 |
| ROE (%) | 7.5 | 14.7 | 13.8 | 18.5 | 20.3 |
| Net gearing (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$48.66**
 (Previous TP) **HK\$48.66**
Up/Downside **3.6%**
Current Price **HK\$46.95**

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Stock Data

| | |
|--------------------------|-------------|
| Mkt Cap (HK\$ mn) | 105,788.0 |
| Avg 3 mths t/o (HK\$ mn) | 1,051.4 |
| 52w High/Low (HK\$) | 60.60/23.60 |
| Total Issued Shares (mn) | 2253.2 |

Source: FactSet

Shareholding Structure

| | |
|---------------------------|-------|
| Golden Link Worldwide Ltd | 65.8% |
| Gold Dragonfly Ltd | 5.0% |

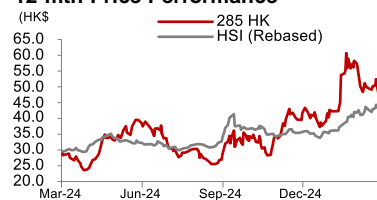
Source: HKEx

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | -18.2% | -20.1% |
| 3-mth | 12.5% | -5.5% |
| 6-mth | 63.3% | 29.8% |

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

1) Intelligence driving: Implications of BYD's "vehicle intelligence strategy" event – 11 Feb 2025 (link)

2) FY24E Preview: Riding on leading customers' growth momentum; Reiterate BUY - 27 Jan 2025 (link)

3) NDR takeaways: Apple, NEV products and AI server are key growth drivers in 2025 – 26 Nov 2024 (link)

2H24 Results review

Figure 1: 2H24 results review

| RMB mn | 1H23 | 2H23 | 1H24 | 2H24 | YoY | CMBI | | Consensus | |
|------------------|--------|--------|--------|--------|---------|--------|----------|-----------|----------|
| | | | | | | 2H24E | Diff (%) | 2H24E | Diff (%) |
| Revenue | 56,180 | 73,777 | 78,581 | 98,725 | 34% | 98,652 | 0% | 105,336 | -6% |
| Gross profit | 4,409 | 6,025 | 5,379 | 6,922 | 15% | 7,860 | -12% | 8,871 | -22% |
| Operating profit | 1,029 | 2,676 | 1,208 | 2,719 | 2% | 3,135 | -13% | 3,596 | -24% |
| Net profit | 1,516 | 2,526 | 1,518 | 2,748 | 8.8% | 3,032 | -9% | 3,365 | -18% |
| EPS (RMB) | 0.67 | 1.12 | 0.67 | 1.22 | 8.8% | 1.35 | -9% | 1.49 | -18% |
| Gross margin | 7.8% | 8.2% | 6.8% | 7.0% | -1.2ppt | 8.0% | -1ppt | 8.4% | -1.4ppt |
| Operating margin | 1.8% | 3.6% | 1.5% | 2.8% | -0.9ppt | 3.2% | -0.4ppt | 3.4% | -0.7ppt |
| Net margin | 2.7% | 3.4% | 1.9% | 2.8% | -0.6ppt | 3.1% | -0.3ppt | 3.2% | -0.4ppt |

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: 4Q24 results review

| RMB mn | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24 | YoY | QoQ |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|----------|----------|
| Revenue | 26,375 | 29,805 | 35,964 | 37,813 | 36,480 | 42,100 | 43,546 | 55,179 | 46% | 27% |
| Gross profit | 2,030 | 2,379 | 3,494 | 2,532 | 2,509 | 2,870 | 3,683 | 3,239 | 28% | -12% |
| Net profit | 459 | 1057 | 1528 | 998 | 610 | 907 | 1546 | 1202 | 21% | -22% |
| EPS (RMB) | 0.20 | 0.47 | 0.68 | 0.44 | 0.27 | 0.40 | 0.69 | 0.53 | 19% | -23% |
| Gross margin | 7.7% | 8.0% | 9.7% | 6.7% | 6.9% | 6.8% | 8.5% | 5.9% | -0.8 ppt | -2.6 ppt |
| Net margin | 1.7% | 3.5% | 4.2% | 2.6% | 1.7% | 2.2% | 3.5% | 2.2% | -0.5 ppt | -1.4 ppt |
| Revenue (YoY) | 26.0% | 30.9% | 31.0% | 4.9% | 38.3% | 41.3% | 21.1% | 45.9% | | |
| Gross profit (YoY) | 77.4% | 101.0% | 94.5% | 13.7% | 23.6% | 20.7% | 5.4% | 27.9% | | |
| Net profit (YoY) | 154.9% | 132.9% | 153.4% | 60.7% | 33.0% | -14.1% | 1.1% | 20.5% | | |

Source: Company data, Bloomberg, CMBIGM estimates

Figure 3: Revenue breakdown

| (RMB mn) | FY21 | FY22 | FY23 | 1H24 | 2H24 | FY24 |
|--|---------------|----------------|----------------|---------------|---------------|----------------|
| Assembly | 55,977 | 68,054 | 83,783 | 48,057 | 57,518 | 105,575 |
| ... YoY | 80% | 22% | 23% | 33.3% | 20.5% | 26% |
| Component (metal/glass/plastic) | 15,655 | 14,155 | 13,637 | 15,246 | 20,412 | 35,658 |
| ... YoY | -11% | -10% | -4% | 205.8% | 135.9% | 161% |
| Metal | 8,087 | 7,304 | 6,208 | 2,701 | 2,701 | 5,401 |
| Plastic | 3,789 | 3,221 | 2,803 | 1,132 | 1,755 | 2,887 |
| Glass/ceramic | 5,700 | 5,130 | 5,143 | 1,154 | 4,195 | 5,349 |
| Jabil component | - | - | - | 7,668 | 11,502 | 19,170 |
| New intelligent | 12,445 | 15,207 | 18,441 | 7,521 | 8,039 | 15,560 |
| ... YoY | 31% | 22% | 21% | -16.4% | -14.9% | -16% |
| AI server | - | - | - | - | 800 | 800 |
| E-cigarette | 1,000 | 1,540 | 2,062 | 473 | 1,693 | 2,165 |
| Household energy storage | - | 1,500 | 2,115 | 389 | 936 | 1,325 |
| Other new intelligent products | - | - | 14,264 | 6,660 | 4,610 | 11,270 |
| Auto intelligent | 3,770 | 9,263 | 14,096 | 7,757 | 12,756 | 20,513 |
| ... YoY | 107% | 146% | 52% | 26% | 60% | 46% |
| Total | 89,057 | 107,186 | 129,957 | 78,581 | 98,725 | 177,306 |
| ... YoY | 22% | 20% | 21% | 40% | 34% | 36% |

Source: Company data, CMBIGM estimates

Figure 4: P&L forecast

| (RMB mn) | FY21 | FY22 | FY23 | 1H24 | 2H24 | FY24 |
|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Revenue | 89,057 | 107,186 | 129,957 | 78,581 | 98,725 | 177,306 |
| ...YoY | 21.8% | 20.4% | 21.2% | 39.9% | 33.8% | 36.4% |
| Cost of sales | (83,028) | (100,836) | (119,523) | (73,202) | (91,803) | (165,004) |
| Gross profit | 6,029 | 6,350 | 10,434 | 5,379 | 6,922 | 12,301 |
| GPM (%) | 6.8% | 5.9% | 8.0% | 6.8% | 7.0% | 6.9% |
| ...YoY | -37.4% | 5.3% | 64.3% | 22.0% | 14.9% | 17.9% |
| SG&A | (1,316) | (1,770) | (2,007) | (1,698) | (1,787) | (3,485) |
| ...% of rev | 1% | 2% | 2% | 2% | 2% | 2% |
| R&D | (3,308) | (3,969) | (4,722) | (2,473) | (2,416) | (4,889) |
| ...% of rev | 4% | 4% | 4% | 3% | 2% | 3% |
| Operating profit | 1,405 | 611 | 3,705 | 1,208 | 2,719 | 3,927 |
| OPM (%) | 2% | 1% | 3% | 2% | 3% | 2% |
| ...YoY | -76% | -57% | 506% | 17% | 2% | 6% |
| Net profit | 2,310 | 1,858 | 4,041 | 1,518 | 2,748 | 4,266 |
| NPM (%) | 2.6% | 1.7% | 3.1% | 1.9% | 2.8% | 2.4% |
| ...YoY | -58% | -20% | 118% | 0% | 9% | 6% |

Source: Company data, CMBIGM estimates

Valuation

Maintain BUY with SOTP-based TP of HK\$48.66

We maintain BUY and our TP is based on SOTP valuation to reflect BYDE's business diversification with different growth profiles and visibility.

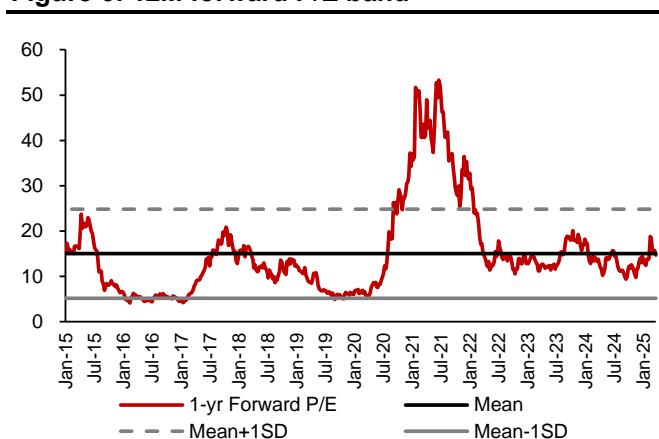
Our SOTP-based TP of HK\$48.66 implies 15.5x FY25E P/E. We assign 15x P/E to its assembly EMS business, 15x for Jabil iPhone casing and 15x P/E for component business, in line with TW/HK-listed peers, given Android's business margin recovery and Apple's business expansion. We adjust target multiple to 16x for new intelligent and NEV segments to reflect their growth potential and higher earnings visibility.

Figure 5: BYDE – SOTP valuation

| Business segment | % of FY25E Profit | FY25E EPS (RMB) | Target P/E |
|--------------------------|-------------------|-----------------|--------------|
| Assembly | 16% | 0.46 | 15x |
| Components | 16% | 0.46 | 15x |
| Jabil Components | 17% | 0.49 | 15x |
| New Intelligent | 19% | 0.54 | 16x |
| Auto intelligent | 31% | 0.89 | 16x |
| Others | 0% | 0 | - |
| Total (RMB) /Implied P/E | | 2.86 | 15.5x |
| TP (HK\$) | | | 48.66 |

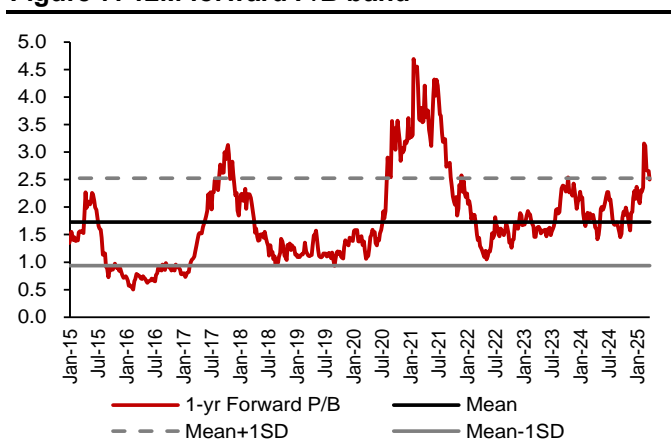
Source: Company data, CMBIGM estimates

Figure 6: 12M forward P/E band



Source: Bloomberg, CMBIGM estimates

Figure 7: 12M forward P/B band



Source: Bloomberg, CMBIGM estimates

Financial Summary

| INCOME STATEMENT | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
|----------------------------|---------------|----------------|----------------|----------------|----------------|----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Revenue | 89,057 | 107,186 | 129,957 | 177,306 | 203,533 | 229,412 |
| Cost of goods sold | (83,028) | (100,836) | (119,523) | (165,004) | (186,547) | (209,181) |
| Gross profit | 6,029 | 6,350 | 10,434 | 12,301 | 16,986 | 20,231 |
| Selling expense | (275) | (535) | (720) | (1,888) | (2,239) | (2,524) |
| Admin expense | (1,041) | (1,235) | (1,288) | (1,597) | (1,934) | (2,179) |
| SG&A expense | (275) | (535) | (720) | (1,888) | (2,239) | (2,524) |
| R&D expense | (3,308) | (3,969) | (4,722) | (4,889) | (6,310) | (7,112) |
| Operating profit | 1,405 | 611 | 3,705 | 3,927 | 6,504 | 8,417 |
| Other income/expense | 657 | 1,509 | 1,284 | 1,348 | 1,076 | 1,076 |
| Pre-tax profit | 2,465 | 1,939 | 4,681 | 4,740 | 7,398 | 9,311 |
| Income tax | (155) | (81) | (640) | (475) | (962) | (1,210) |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit | 2,310 | 1,858 | 4,041 | 4,266 | 6,436 | 8,100 |
| Adjusted net profit | 2,310 | 1,858 | 4,041 | 4,266 | 6,436 | 8,100 |

| BALANCE SHEET | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
|-------------------------------------|---------------|---------------|---------------|---------------|----------------|----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Current assets | 27,630 | 40,488 | 54,607 | 60,416 | 77,896 | 70,221 |
| Cash & equivalents | 2,825 | 6,244 | 10,537 | 7,052 | 22,927 | 21,978 |
| Account receivables | 9,240 | 10,471 | 23,011 | 32,306 | 28,271 | 17,611 |
| Inventories | 10,567 | 17,046 | 18,541 | 18,089 | 24,180 | 28,115 |
| ST bank deposits | 351 | 21 | 9 | 0 | 9 | 9 |
| Other current assets | 4,646 | 6,706 | 2,508 | 2,969 | 2,508 | 2,508 |
| Non-current assets | 13,545 | 16,506 | 32,612 | 29,932 | 39,354 | 43,304 |
| PP&E | 11,182 | 12,941 | 19,709 | 17,113 | 26,451 | 30,402 |
| Deferred income tax | 201 | 481 | 620 | 803 | 620 | 620 |
| Other non-current assets | 2,162 | 3,084 | 12,282 | 12,015 | 12,282 | 12,282 |
| Total assets | 41,175 | 56,994 | 87,219 | 90,347 | 117,249 | 113,525 |
| Current liabilities | 16,220 | 30,143 | 54,751 | 50,823 | 77,090 | 67,696 |
| Short-term borrowings | 0 | 2,004 | 14,613 | 6,505 | 30,013 | 30,013 |
| Account payables | 11,724 | 22,002 | 29,939 | 35,331 | 36,879 | 27,485 |
| Tax payable | 184 | 363 | 607 | 943 | 607 | 607 |
| Other current liabilities | 4,312 | 5,773 | 9,591 | 8,044 | 9,591 | 9,591 |
| Non-current liabilities | 928 | 1,216 | 3,138 | 7,122 | 3,138 | 3,138 |
| Deferred income | 150 | 231 | 290 | 240 | 290 | 290 |
| Other non-current liabilities | 778 | 986 | 2,847 | 6,882 | 2,847 | 2,847 |
| Total liabilities | 17,148 | 31,359 | 57,888 | 57,946 | 80,228 | 70,834 |
| Share capital | 4,052 | 4,052 | 4,052 | 4,052 | 4,052 | 4,052 |
| Other reserves | 19,975 | 21,583 | 25,278 | 28,349 | 32,969 | 38,640 |
| Total shareholders equity | 24,027 | 25,635 | 29,330 | 32,402 | 37,021 | 42,692 |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 |
| Total equity and liabilities | 41,175 | 56,994 | 87,219 | 90,347 | 117,249 | 113,525 |

| CASH FLOW | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
|------------------------------------|----------------|----------------|-----------------|----------------|----------------|----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Operating | | | | | | |
| Profit before taxation | 2,465 | 1,939 | 4,681 | 4,740 | 7,398 | 9,311 |
| Depreciation & amortization | 2,255 | 2,563 | 2,788 | 3,230 | 3,736 | 4,241,734 |
| Change in working capital | (2,228) | 2,568 | (6,098) | (3,450) | (1,201) | (2,669) |
| Others | (230) | (182) | (534) | (322) | (962) | (1,210) |
| Net cash from operations | 2,306 | 5,961 | 10,243 | 4,719 | 9,280 | 10,047 |
| Investing | | | | | | |
| Capital expenditure | (3,815) | (4,469) | (3,998) | (6,383) | (7,327) | (8,259) |
| Others | (3,811) | (4,272) | (17,731) | (6,377) | (7,320) | (8,251) |
| Net cash from investing | (3,815) | (4,276) | (17,735) | (6,383) | (7,327) | (8,259) |
| Financing | | | | | | |
| Dividend paid | (232) | (372) | (1,212) | (1,280) | (1,931) | (2,430) |
| Others | (43) | 2,133 | 13,035 | (8,629) | (308) | (308) |
| Net cash from financing | (275) | 1,761 | 11,823 | (9,908) | (2,239) | (2,738) |
| Net change in cash | | | | | | |
| Cash at the beginning of the year | 3,466 | 2,825 | 6,244 | 10,537 | 23,213 | 22,927 |
| Exchange difference | 1,143 | (27) | (37) | 8,087 | 0 | 0 |
| Cash at the end of the year | 2,825 | 6,244 | 10,537 | 7,052 | 22,927 | 21,978 |
| GROWTH | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| YE 31 Dec | | | | | | |
| Revenue | 21.8% | 20.4% | 21.2% | 36.4% | 14.8% | 12.7% |
| Gross profit | (37.4%) | 5.3% | 64.3% | 17.9% | 38.1% | 19.1% |
| Operating profit | (75.8%) | (56.5%) | 506.5% | 6.0% | 65.6% | 29.4% |
| Net profit | (57.5%) | (19.6%) | 117.6% | 5.5% | 50.9% | 25.9% |
| Adj. net profit | (57.5%) | (19.6%) | 117.6% | 5.5% | 50.9% | 25.9% |
| PROFITABILITY | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| YE 31 Dec | | | | | | |
| Gross profit margin | 6.8% | 5.9% | 8.0% | 6.9% | 8.3% | 8.8% |
| Operating margin | 1.6% | 0.6% | 2.9% | 2.2% | 3.2% | 3.7% |
| Adj. net profit margin | 2.6% | 1.7% | 3.1% | 2.4% | 3.2% | 3.5% |
| Return on equity (ROE) | 10.0% | 7.5% | 14.7% | 13.8% | 18.5% | 20.3% |
| GEARING/LIQUIDITY/ACTIVITIES | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| YE 31 Dec | | | | | | |
| Net debt to equity (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current ratio (x) | 1.7 | 1.3 | 1.0 | 1.2 | 1.0 | 1.0 |
| Receivable turnover days | 48.4 | 33.6 | 47.0 | 36.5 | 36.5 | 36.5 |
| Inventory turnover days | 38.4 | 50.0 | 54.3 | 45.6 | 45.6 | 45.6 |
| Payable turnover days | 43.7 | 61.0 | 79.3 | 56.2 | 56.2 | 56.2 |
| VALUATION | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| YE 31 Dec | | | | | | |
| P/E | 42.7 | 53.1 | 24.4 | 23.1 | 15.3 | 12.2 |
| P/B | 4.1 | 3.8 | 3.4 | 3.0 | 2.7 | 2.3 |
| Div yield (%) | 0.2 | 0.4 | 1.2 | 1.3 | 2.0 | 2.5 |
| EV | 24,027.1 | 25,635.1 | 29,330.4 | 32,401.7 | 37,021.2 | 42,691.8 |
| EV/Sales | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |

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

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