

# BOE Varitronix (710 HK)

## FY24 strong sales dragged by weaker margin; system biz and overseas expansion as next growth drivers

BOEVx posted strong FY24 sales growth of 25% YoY driven by automotive display (LTPS/Oxide/OLED), auto display system (intelligent/cockpit) and overseas market orders (US/Japan/Korea +47%/50%/24% YoY), but net profit missed mainly due to product mix shift, pricing pressure, higher inventory costs and less government grants. Looking into 2025/26, as a global No.1 auto display supplier, BOEVx will focus on multiple growth drivers: 1) system product expansion (smart cockpit/AI); 2) high-end auto display ramp (LTPS/Oxide/OLED) backed by Chengdu capacity; 3) overseas order wins (esp. Europe, Japan, Korea), and 4) R&D investment in AI/auto display technologies. We trim FY25-26E EPS estimates by 8%/1% to reflect FY24 results and slower margin recovery. We believe BOEVx will continue to benefit from strong product pipeline and overseas expansion. Maintain BUY with new TP of HK\$9.63.

■ **FY24 strong revenue in-line; NP miss on product mix change and pricing pressure.** FY24 revenue came in at HK\$13.4bn, up 25% YoY, above our/consensus estimates by 6%/3%, mainly due to stronger display shipment and auto system products for domestic/overseas NEV clients. By region, **Chinese** sales climbed 35% YoY thanks to favourable policies, rising NEV penetration and order wins; **America/Japan's** sales rose 47%/50% YoY mainly on delivery of strong orders in 2024; **Korea's** sales climbed 24% YoY given mass production of backlog in previous years; **European** sales declined 4% YoY on weaker macro, offsetting system products and order wins in cyber security and virtual screens. FY24 net profit declined 18% YoY, 10%/11% below our/consensus estimates, due to product mix change, pricing adjustment, rising inventory costs and less government grants, leading to EBITDA margin decline of 2.1ppts to 5.1%.

■ **2025 Outlook: system product momentum, high-end auto display ramp, overseas market expansion.** We attended BOEVx's analyst briefing in Shenzhen, and mgmt. shared growth strategy in 2025: 1) Auto system product business (RMB1bn+ sales in 2024) set to accelerate, targeting order wins of 50%+ intelligent cockpit demand from global leading auto companies; 2) target to rank Top 3 in global auto OLED market; 3) Chengdu's 8.6<sup>th</sup>-gen OLED to enter mass production in 2025; 4) rapid overseas expansion with 50% sales mix target in 2027 (vs. 38% in FY24). In addition, mgmt. guided RMB1bn+ in R&D expenses, focusing on AI applications and technologies for naked eye 3D display/gesture control/smart cockpit display system.

■ **Undervalued global No.1 automotive display leader; Maintain BUY.** We revise down FY25-26E EPS estimates by 8%/1% to factor in FY24E results and better sales outlook. Our new TP of HK\$9.63 is based on same 15x FY25E P/E. Trading at 9.3x/7.6x FY25/26E P/E (vs. 29%/24% YoY EPS growth), the stock offers attractive risk/reward.

### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (HK\$ mn)	10,760	13,449	16,274	19,404	22,228
YoY growth (%)	0.4	25.0	21.0	19.2	14.6
EBITDA (HK\$ mn)	771.0	686.0	895.1	1,097.2	1,256.8
Net profit (HK\$ mn)	475.3	391.3	506.1	625.6	738.7
YoY growth (%)	(18.4)	(17.7)	29.4	23.6	18.1
EPS (Reported) (HK\$)	0.60	0.50	0.64	0.79	0.94
Consensus EPS (HK\$)	na	na	0.72	0.90	1.31
P/E (x)	9.9	12.1	9.3	7.6	6.4
P/B (x)	0.5	0.4	0.4	0.3	0.3
Yield (%)	3.2	2.8	3.2	3.5	4.0
ROE (%)	11.1	8.7	10.6	12.0	12.9
Net gearing (%)	(65.3)	(50.5)	(39.0)	(54.2)	(41.9)

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

**Target Price** **HK\$9.63**  
(Previous TP **HK\$10.48**)  
**Up/Downside** **60.5%**  
**Current Price** **HK\$6.00**

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### Stock Data

Mkt Cap (HK\$ mn)	4,752.0
Avg 3 mths t/o (HK\$ mn)	34.4
52w High/Low (HK\$)	7.87/4.05
Total Issued Shares (mn)	792.0

Source: FactSet

### Shareholding Structure

BOE Technology Group	53.0%
Ko Chun Shun	5.6%

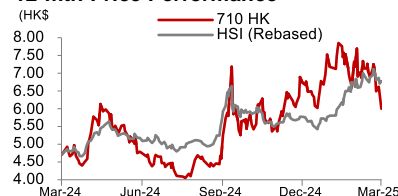
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-22.0%	-21.5%
3-mth	-10.8%	-24.0%
6-mth	14.3%	0.0%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

## 2H24 Results review

Figure1: Earnings revision

HKD mn	1H23	2H23	Actual				CMBI		Consensus	
			1H24	2H24	HoH	YoY	2H24E	Diff %	2H24E	Diff %
Revenue	5,210	5,550	6,157	7,291	18.4%	31.4%	6,942	5%	6,528	12%
Operating profit	241	329	194	244	25.9%	-25.9%	326	-25%	276	-12%
Net profit	202.5	273	172	219	27.4%	-19.6%	265	-17%	261	-16%
EPS (HKD cent)	27.26	34.68	21.86	27.79	27.2%	-19.9%	33.7	-18%	33.1	-16%
Operating margin	4.6%	5.9%	3.1%	3.3%	0.2 ppt	-2.6 ppt	4.7%	-1.6 ppt	4.2%	-0.9 ppt
Net margin	3.9%	4.9%	2.8%	3.0%	0.2 ppt	-1.9 ppt	3.8%	-1 ppt	4.0%	-1 ppt

Source: Company data, CMBIGM estimates

## Earnings Revision

Figure 2: Earnings revision

(RMB mn)	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY26E	FY25E	FY26E	FY27E
Revenue	16,274	19,404	22,228	15,941	18,592	18,592	2.1%	4.4%	19.6%
Operating profit	604	750	881	670	781	781	-9.9%	-4.0%	12.8%
Net profit	506	626	739	549	633	633	-7.9%	-1.2%	16.7%
EPS (RMB)	64	79	94	69.86	80.50	80.50	-8.1%	-1.4%	16.4%
Operating margin	3.7%	3.9%	4.0%	4.2%	4.2%	4.2%	-0.5 ppt	-0.3 ppt	-0.2 ppt
Net margin	3.1%	3.2%	3.3%	3.4%	3.4%	3.4%	-0.3 ppt	-0.2 ppt	-0.1 ppt

Source: Company data, CMBIGM estimates

Figure 3: CMBI estimates vs consensus

(RMB mn)	CMBI			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	16,274	19,404	22,228	14,691	16,876	20,178	10.8%	15.0%	10.2%
Operating profit	604	750	881	631	787	664	-4.3%	-4.7%	32.7%
Net profit	506	626	739	567	711	902	-10.8%	-12.1%	-18.1%
EPS (RMB)	64.18	79.34	93.68	72.00	90.14	131.00	-10.9%	-12.0%	-28.5%
Operating margin	3.7%	3.9%	4.0%	4.3%	4.7%	3.3%	-0.6 ppt	-0.8 ppt	0.7 ppt
Net margin	3.1%	3.2%	3.3%	3.9%	4.2%	4.5%	-0.8 ppt	-1 ppt	-1.1 ppt

Source: Company data, CMBIGM estimates

Figure 4: P&L forecast

HK\$ mn	2023	2024	2025E	2026E	2027E
<b>Revenue</b>	<b>10,760</b>	<b>13,449</b>	<b>16,274</b>	<b>19,404</b>	<b>22,228</b>
YoY	0.4%	25.0%	21.0%	19.2%	14.6%
... <b>Auto display</b>	<b>9,710</b>	<b>12,660</b>	<b>15,445</b>	<b>18,534</b>	<b>21,314</b>
YoY	1.4%	30.4%	22.0%	20.0%	15.0%
... <b>Industrial display</b>	<b>1,050</b>	<b>789</b>	<b>828</b>	<b>870</b>	<b>913</b>
YoY	-8.3%	-24.9%	5.0%	5.0%	5.0%
<b>Operating profit</b>	<b>570</b>	<b>437</b>	<b>604</b>	<b>750</b>	<b>881</b>
OPM (%)	5.3%	3.3%	3.7%	3.9%	4.0%
...YoY	-15.0%	-23.2%	38.0%	24.2%	17.5%
<b>Net profit</b>	<b>475</b>	<b>391</b>	<b>506</b>	<b>626</b>	<b>739</b>
NPM (%)	4.4%	2.9%	3.1%	3.2%	3.3%
...YoY	-18.4%	-17.7%	29.4%	23.6%	18.1%

Source: Company data, CMBIGM estimates

## Valuation

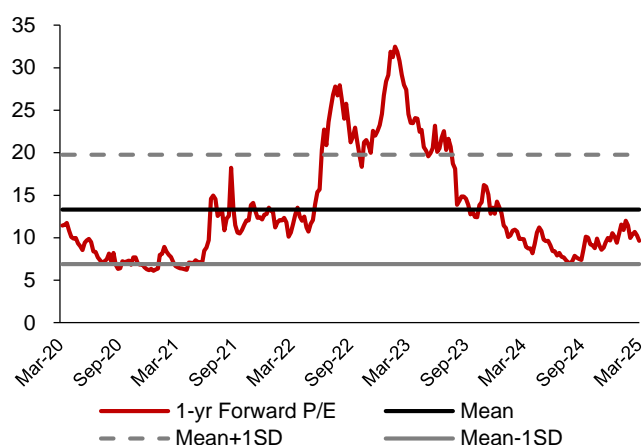
Maintain BUY and our new TP of HK\$9.63 is based on same 15x FY25E P/E. We are positive on BOEVx's order wins, system products ramp-up, overseas expansion and auto display market leadership. Trading at 9.3x/7.6x FY25/26E P/E, the stock is attractive in our view.

**Figure 5: 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
BOE Varitronix	710 HK	BUY	611	6.00	9.63	61%	9.3	7.6	0.4	0.3	10.6	12.0
LDG	LPL US	NR	3,200	3.21	NA	NA	-	-	-	-	-	-
AUO	2409 TT	NR	3,450	14.90	NA	NA	143.3	23.3	0.7	0.7	0.6	3.3
Tianma	000050 CH	NR	2,845	8.41	NA	NA	46.7	26.7	0.7	0.7	1.5	2.6
Wuhu Token	300088 CH	NR	2,163	6.29	NA	NA	-	-	-	-	-	-
Infovision	688055 CH	NR	1,629	3.55	NA	NA	-	-	-	-	-	-
Truly	732 HK	NR	463	1.14	NA	NA	-	-	-	-	-	-
Average							66.1	18.9	0.8	0.8	4.7	6.4

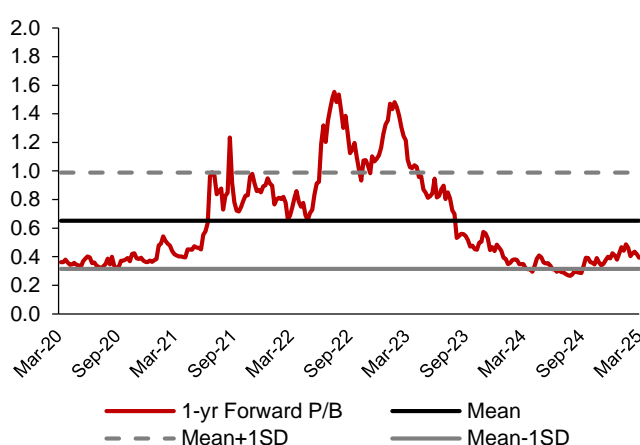
Source: Bloomberg, CMBIGM estimates

**Figure 6: 12M forward P/E band**



Source: Company data, CMBIGM estimates

**Figure 7: 12M forward P/B band**



Source: Company data, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
Revenue	10,722	10,760	13,449	16,274	19,404	22,228
Operating expenses	10,052	10,191	13,011	15,670	18,655	21,347
Operating profit	670	570	437	604	750	881
EBITDA	841	771	686	895	1,097	1,257
Depreciation	(166)	(202)	(244)	(292)	(348)	(376)
Other income/expense	(445)	(466)	(671)	(846)	(1,009)	(1,156)
Others	427	437	651	823	970	1,111
Pre-tax profit	658	540	422	580	711	836
Income tax	98	59	21	60	71	84
After tax profit	560	481	402	520	640	753
Net profit	582	475	391	506	626	739
Adjusted net profit	582	475	391	506	626	739

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
<b>Current assets</b>	<b>6,611</b>	<b>8,097</b>	<b>9,195</b>	<b>9,990</b>	<b>11,926</b>	<b>12,535</b>
Cash & equivalents	2,819	3,501	2,700	2,312	3,323	2,893
Account receivables	2,158	2,556	3,326	3,599	4,658	4,801
Inventories	1,568	1,947	1,778	2,688	2,554	3,451
Other current assets	66	94	1,391	1,391	1,391	1,391
<b>Non-current assets</b>	<b>1,673</b>	<b>1,937</b>	<b>2,270</b>	<b>2,564</b>	<b>2,929</b>	<b>3,344</b>
PP&E	1,490	1,760	2,060	2,355	2,720	3,135
Other non-current assets	182	177	209	209	209	209
<b>Total assets</b>	<b>8,283</b>	<b>10,034</b>	<b>11,465</b>	<b>12,554</b>	<b>14,855</b>	<b>15,880</b>
<b>Current liabilities</b>	<b>4,103</b>	<b>5,023</b>	<b>6,500</b>	<b>7,220</b>	<b>9,049</b>	<b>9,509</b>
Account payables	3,390	4,738	6,228	6,949	8,777	9,237
Tax payable	65	14	23	23	23	23
Other current liabilities	648	271	248	248	248	248
<b>Non-current liabilities</b>	<b>64</b>	<b>601</b>	<b>365</b>	<b>365</b>	<b>365</b>	<b>365</b>
Long-term borrowings	31	383	170	170	170	170
Other non-current liabilities	33	218	194	194	194	194
<b>Total liabilities</b>	<b>4,167</b>	<b>5,624</b>	<b>6,864</b>	<b>7,585</b>	<b>9,414</b>	<b>9,874</b>
Share capital	198	198	198	198	198	198
Other reserves	3,867	4,156	4,337	4,692	5,150	5,701
<b>Total shareholders equity</b>	<b>4,116</b>	<b>4,410</b>	<b>4,600</b>	<b>4,969</b>	<b>5,441</b>	<b>6,006</b>
<b>Total equity and liabilities</b>	<b>8,283</b>	<b>10,034</b>	<b>11,465</b>	<b>12,554</b>	<b>14,855</b>	<b>15,880</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	658	540	422	580	711	836
Depreciation & amortization	166	202	237	356	411	474
Change in working capital	(194)	564	888	(462)	904	(580)
Others	144	(120)	(21)	(60)	(71)	(84)
<b>Net cash from operations</b>	<b>774</b>	<b>1,186</b>	<b>1,527</b>	<b>414</b>	<b>1,955</b>	<b>646</b>
<b>Investing</b>						
Capital expenditure	(1,176)	(502)	(538)	(651)	(776)	(889)
Others	7	278	0	0	0	0
<b>Net cash from investing</b>	<b>(1,170)</b>	<b>(224)</b>	<b>(538)</b>	<b>(651)</b>	<b>(776)</b>	<b>(889)</b>
<b>Financing</b>						
Dividend paid	(109)	(181)	(135)	(152)	(167)	(188)
Others	1,207	(83)	0	0	0	0
<b>Net cash from financing</b>	<b>1,098</b>	<b>(263)</b>	<b>(135)</b>	<b>(152)</b>	<b>(167)</b>	<b>(188)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	2,267	2,819	3,501	2,700	2,312	3,323
Exchange difference	(151)	(17)	0	0	0	0
Others	702	698	(801)	(388)	1,012	(430)
<b>Cash at the end of the year</b>	<b>2,819</b>	<b>3,501</b>	<b>2,700</b>	<b>2,312</b>	<b>3,323</b>	<b>2,893</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	38.6%	0.4%	25.0%	21.0%	19.2%	14.6%
Operating profit	91.5%	(15.0%)	(23.2%)	38.0%	24.2%	17.5%
EBITDA	63.9%	(8.3%)	(11.0%)	30.5%	22.6%	14.6%
Net profit	77.7%	(18.4%)	(17.7%)	29.4%	23.6%	18.1%
Adj. net profit	77.7%	(18.4%)	(17.7%)	29.4%	23.6%	18.1%
<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>						
Operating margin	6.3%	5.3%	3.3%	3.7%	3.9%	4.0%
EBITDA margin	7.8%	7.2%	5.1%	5.5%	5.7%	5.7%
Adj. net profit margin	5.4%	4.4%	2.9%	3.1%	3.2%	3.3%
Return on equity (ROE)	15.6%	11.1%	8.7%	10.6%	12.0%	12.9%
<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>						
Net debt to equity (x)	(0.5)	(0.7)	(0.5)	(0.4)	(0.5)	(0.4)
Current ratio (x)	1.6	1.6	1.4	1.4	1.3	1.3
Receivable turnover days	66.4	79.9	79.8	77.7	77.7	77.7
Inventory turnover days	50.0	74.7	61.9	61.9	60.8	60.8
Payable turnover days	115.1	172.8	182.3	182.5	182.5	182.5
<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	7.7	9.9	12.1	9.3	7.6	6.4
P/B	0.5	0.5	0.4	0.4	0.3	0.3
Div yield (%)	4.1	3.2	2.8	3.2	3.5	4.0
EV	4,115.8	4,409.7	4,600.5	4,968.8	5,441.2	6,006.3
EV/Sales	0.4	0.4	0.3	0.3	0.3	0.3
EV/EBITDA	4.9	5.7	6.7	5.6	5.0	4.8

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

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**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
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**UNDERPERFORM** : Industry expected to underperform the relevant broad market benchmark over next 12 months

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