

# Intron Tech (1760 HK)

## 2024 revenue in-line; Expect solid demand and resilient margin in FY25-26E

We talked to Intron's mgmt. post FY24 results. While Intron posted solid revenue growth of 15% YoY driven by new energy/automated & connected vehicles/body control segments (+24%/27%/11% YoY), GPM declined to 14.5% in FY24 (vs 18.7% in FY23), mainly due to OEM pricing competition. Looking into FY25E, mgmt. is positive on revenue outlook and resilient GPM, especially new energy and automated & connected vehicles segments benefiting from NEV, smart driving and client overseas expansion trend. We trim FY25/26E EPS forecasts by 33%/32% to factor in lower GPM and higher sales. Our new TP of HK\$2.34 is based on rollover 9.0x FY25E P/E (vs prior 10x FY24 P/E), in-line with 1-sd below 8-yr hist. avg. P/E of 9.5x, given near-term industry headwinds. Upcoming catalysts include project wins and margin recovery.

- **FY24 strong revenue in-line but lower GPM on pricing competition.** Intron's FY24 revenue grew 15% YoY to RMB6,693mn, 6%/9% above our/consensus estimates, mainly driven by: 1) **New energy biz** growth of 24% YoY on rising penetration of NEV and project wins; 2) **Automated & connected vehicles** growth of 27% YoY on rising OEMs' installation rate given technology upgrade, favourable policy and consumer demand recovery; 3) **Body control** growth of 11% YoY thanks to rapid growth of domain controller application; 4) **Safety system** steady growth of 2% YoY driven by tire pressure and electric steering products. FY24 GPM declined 4.2ppts to 14.5% due to auto OEMs' price competition, leading to NP decline of 35% YoY to RMB313mn, 7%/13% below our/consensus estimates.
- **2025 Outlook: stable sales growth, steady margin recovery, overseas expansion on track.** Looking into 2025, mgmt. expects GPM to stabilize given easing competition and increasing order delivery. Mgmt. expects NEV orders to maintain double-digit growth in 2025, and Intron will focus on share gains and cost efficiency to drive profitability. In addition, mgmt. expects accelerated overseas expansion especially in Europe/North America as well as opportunities in East Asia markets. As for automated and connected vehicles biz, mgmt. guided high YoY growth driven by strong partnership with Horizon Robotics and project wins from leading auto OEMs.
- **Expect solid demand and resilient margin in 2025; maintain BUY.** We lower FY25-26E EPS forecasts to reflect FY24 results, weaker margins and market share gains. Our new TP of HK\$2.34 is based on rollover 9.0x FY25E P/E (vs prior 10x FY24 P/E), largely in-line with 1-sd below 8-yr hist. avg. P/E. Trading at 5.3x/4.0x FY25/26E P/E, we think Intron's valuation is attractive.

### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	5,802	6,693	7,736	8,755	9,920
YoY growth (%)	20.1	15.4	15.6	13.2	13.3
Net profit (RMB mn)	317.4	208.6	249.1	330.8	405.1
YoY growth (%)	(23.5)	(34.3)	19.4	32.8	22.4
EPS (Reported) (RMB)	0.29	0.19	0.23	0.30	0.37
Consensus EPS (RMB)	na	na	0.29	0.40	0.38
P/E (x)	4.2	6.3	5.3	4.0	3.3
P/B (x)	0.6	0.5	0.5	0.5	0.4
Yield (%)	0.7	5.2	5.7	7.6	9.3
ROE (%)	14.1	8.6	9.7	11.9	13.3

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** **HK\$2.34**  
 (Previous TP) **HK\$2.35**  
**Up/Downside** **80.1%**  
**Current Price** **HK\$1.30**

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### Stock Data

Mkt Cap (HK\$ mn)	1,413.7
Avg 3 mths t/o (HK\$ mn)	3.7
52w High/Low (HK\$)	2.15/0.93
Total Issued Shares (mn)	1087.5

Source: FactSet

### Shareholding Structure

Magnate Era Ltd	48.3%
Luk Wing Ming	6.9%

Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-14.5%	-15.5%
3-mth	7.4%	-7.1%
6-mth	-20.7%	-27.8%

Source: FactSet

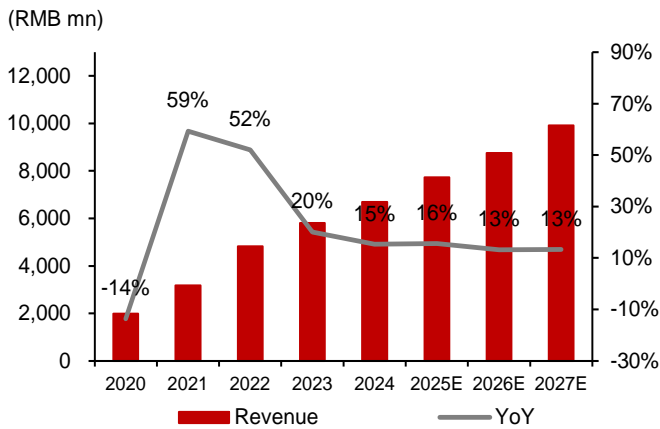
### 12-mth Price Performance



Source: FactSet

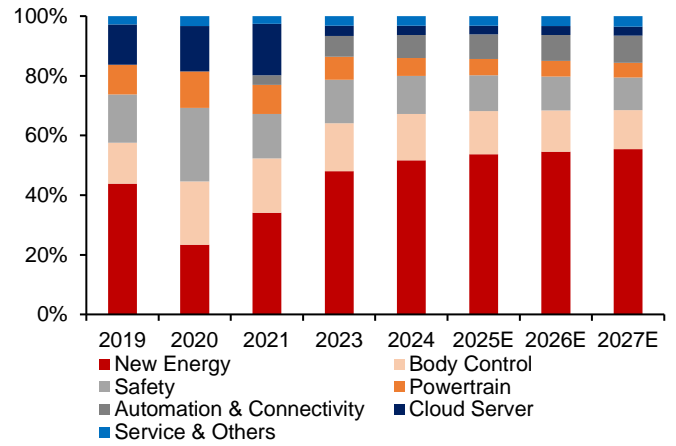
## Focus Charts

**Figure 1: Intron's revenue forecast**



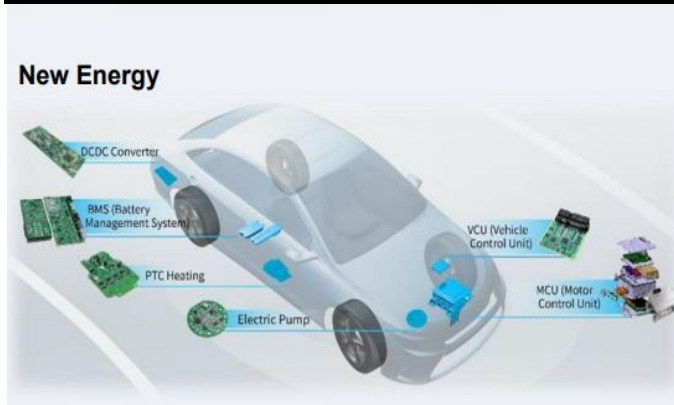
Source: Company data, CMBIGM estimates

**Figure 2: Intron's revenue breakdown**



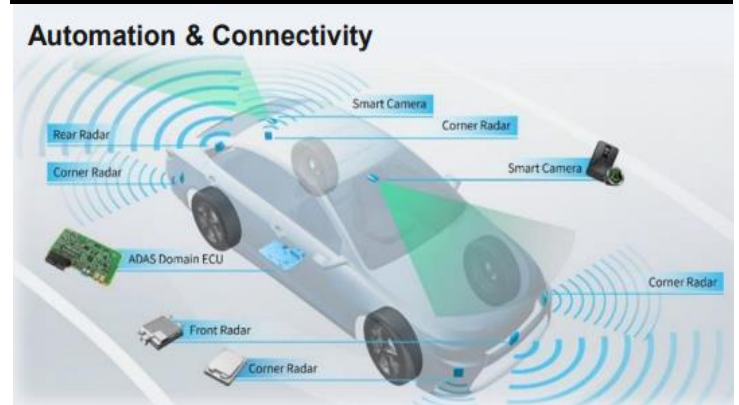
Source: Company data, CMBIGM estimates

**Figure 3: Intron's new energy vehicle solutions**



Source: Company data, CMBIGM

**Figure 4: Intron's intelligent vehicle solutions**



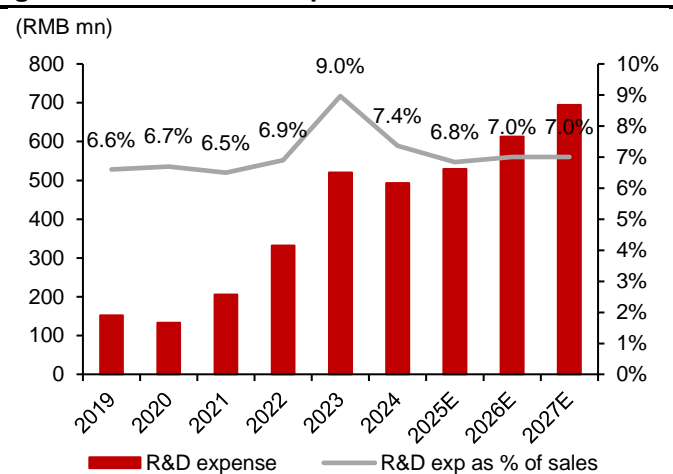
Source: Company data, CMBIGM

**Figure 5: Intron's business partners and clients**



Source: Company data, CMBIGM

**Figure 6: Intron's R&D expense as % of total sales**



Source: Company data, CMBIGM estimates

## Earnings Forecasts

Figure 7: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	7,736	8,755	9,920	7,060	8,066	7,233	10%	9%	37%
Gross profit	1,122	1,313	1,505	1,200	1,412	1,266	-7%	-7%	19%
Net profit	371	450	522	437	559	629	-15%	-19%	-17%
EPS (RMB)	249	331	405	317	434	416	-21%	-24%	-3%
Gross margin	0.23	0.30	0.37	0.29	0.40	0.38	-22%	-24%	-2%
Net margin	14.5%	15.0%	15.2%	17.0%	17.5%	17.5%	-2.5 ppt	-2.5 ppt	-2.3 ppt

Source: Bloomberg, CMBIGM estimates

Figure 8: Earnings Revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	7,736	8,755	9,920	7,240	8,420	na	7%	4%	na
Gross profit	1,122	1,313	1,505	1,231	1,474	na	-9%	-11%	na
Net profit	371	450	522	492	609	na	-25%	-26%	na
EPS (RMB)	249	331	405	371	489	na	-33%	-32%	na
Gross margin	0.23	0.30	0.37	0.34	0.45	na	-33%	-32%	na
Net margin	14.5%	15.0%	15.2%	17.0%	17.5%	na	-2.5 ppt	-2.5 ppt	na

Source: CMBIGM estimates

Figure 9: Revenue breakdown by segment

RMB mn	2022	2023	1H24	2H24	2024	2025E	2026E	2027E
<b>New Energy</b>	<b>2,067</b>	<b>2,788</b>	<b>1,453</b>	<b>2,009</b>	<b>3,462</b>	<b>4,154</b>	<b>4,778</b>	<b>5,494</b>
... YoY	91.0%	34.9%	15.9%	30.9%	24.2%	20.0%	15.0%	15.0%
<b>Body Control</b>	<b>868</b>	<b>934</b>	<b>423</b>	<b>613</b>	<b>1,035</b>	<b>1,118</b>	<b>1,208</b>	<b>1,304</b>
... YoY	50.0%	7.7%	1.4%	18.3%	10.8%	8.0%	8.0%	8.0%
<b>Safety</b>	<b>636</b>	<b>845</b>	<b>355</b>	<b>504</b>	<b>859</b>	<b>928</b>	<b>1,002</b>	<b>1,083</b>
... YoY	33.5%	32.8%	-8.9%	10.9%	1.8%	8.0%	8.0%	8.0%
<b>Powertrain</b>	<b>432</b>	<b>446</b>	<b>161</b>	<b>238</b>	<b>399</b>	<b>423</b>	<b>457</b>	<b>494</b>
... YoY	39.9%	3.3%	-26.3%	4.3%	-10.7%	6.2%	8.0%	8.0%
<b>Automation &amp; Connectivity</b>	<b>255</b>	<b>405</b>	<b>230</b>	<b>284</b>	<b>514</b>	<b>646</b>	<b>763</b>	<b>900</b>
... YoY	151.3%	58.8%	13.0%	41.1%	27.0%	25.8%	18.0%	18.0%
<b>Cloud Server</b>	<b>420</b>	<b>202</b>	<b>109</b>	<b>104</b>	<b>212</b>	<b>223</b>	<b>256</b>	<b>295</b>
... YoY	-23.5%	-52.0%	24.9%	-9.8%	5.2%	5.0%	15.0%	15.0%
<b>Service &amp; Others</b>	<b>152</b>	<b>183</b>	<b>105</b>	<b>107</b>	<b>211</b>	<b>243</b>	<b>292</b>	<b>350</b>
... YoY	91.8%	20.3%	83.4%	-15.2%	15.6%	15.0%	20.0%	20.0%
<b>Revenue</b>	<b>4,830</b>	<b>5,802</b>	<b>2,835</b>	<b>3,858</b>	<b>6,693</b>	<b>7,736</b>	<b>8,755</b>	<b>9,920</b>
... YoY	52.1%	20.1%	8.0%	21.5%	15.3%	15.6%	13.2%	13.3%

Source: Company data, CMBIGM estimates

**Figure 10: P&L forecast**

RMB mn	2022	2023	1H24	2H24	2024	2025E	2026E	2027E
<b>Revenue</b>	<b>4,830</b>	<b>5,802</b>	<b>2,835</b>	<b>3,858</b>	<b>6,693</b>	<b>7,736</b>	<b>8,755</b>	<b>9,920</b>
...YoY	52.1%	20.1%	8.0%	21.5%	15.4%	15.6%	13.2%	13.3%
Cost of sales	(3,789)	(4,719)	(2,383)	(3,341)	(5,725)	(6,615)	(7,442)	(8,414)
<b>Gross profit</b>	<b>1,041</b>	<b>1,084</b>	<b>452</b>	<b>517</b>	<b>969</b>	<b>1,122</b>	<b>1,313</b>	<b>1,505</b>
GPM (%)	21.5%	18.7%	15.9%	13.4%	14.5%	14.5%	15.0%	15.2%
...YoY	66.4%	4.1%	-16.5%	-4.8%	-10.6%	15.8%	17.1%	14.6%
 S&M	(106)	(113)	(297)	(375)	(110)	(124)	(140)	(159)
...% of rev	-2.2%	-2.0%	-10.5%	-9.7%	-1.6%	-1.6%	-1.6%	-1.6%
R&D	(332)	(520)	(215)	(278)	(493)	(529)	(613)	(694)
...% of rev	-6.9%	-9.0%	-7.6%	-7.2%	-7.4%	-6.8%	-7.0%	-7.0%
Admin	(95)	(79)	(34)	(34)	(68)	(70)	(88)	(99)
...% of rev	-2.0%	-1.4%	-1.2%	-0.9%	-1.0%	-0.9%	-1.0%	-1.0%
<b>Pre-tax profit</b>	<b>455</b>	<b>302</b>	<b>82</b>	<b>98</b>	<b>180</b>	<b>271</b>	<b>360</b>	<b>441</b>
Pre-tax profit margin (%)	9.4%	5.2%	2.9%	2.5%	2.7%	3.5%	4.1%	4.4%
...YoY	109.9%	-33.6%	-43.7%	-37.6%	-40.5%	50.9%	32.8%	22.4%
 <b>Net profit</b>	<b>415</b>	<b>317</b>	<b>95</b>	<b>109</b>	<b>209</b>	<b>249</b>	<b>331</b>	<b>405</b>
NPM (%)	8.6%	5.5%	3.4%	2.8%	3.1%	3.2%	3.8%	4.1%
...YoY	106.9%	-23.5%	-36.8%	-31.9%	-34.3%	19.4%	32.8%	22.4%

Source: Company data, CMBIGM estimates

## Valuation

### Maintain BUY with new TP of HK\$2.34

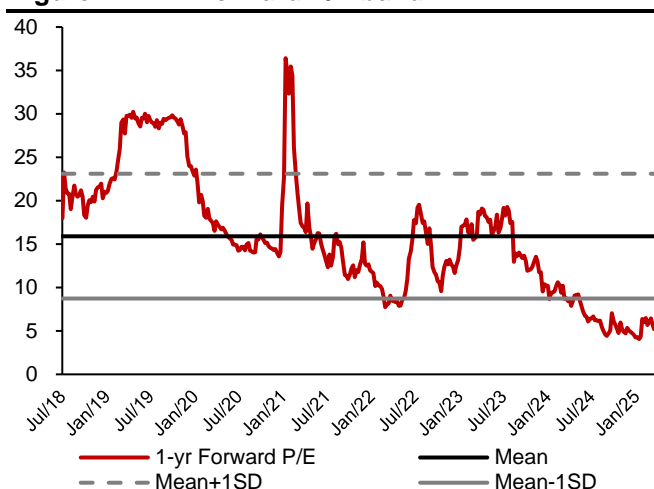
Our new TP of HK\$2.34 is based on rollover 9x FY25E P/E (vs prior 10x FY24 P/E), in-line with 6-year hist. avg. P/E, given near-term industry headwinds. Intron now trades at 5.3x/4.0x FY25/26E P/E, which offers attractive risk-reward, in our view. Upcoming catalysts include rising ADAS/AD penetration, share gains in NEV customers, new order wins and overseas expansion.

**Figure 11: Intron Tech's peers valuation**

Company	Ticker	CMBI Rating	Market Cap US\$(mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Intron Tech	1760 HK	BUY	182	1.30	2.34	80%	5.3	4.0	0.5	0.5	9.7	11.9
BOE Varitronix	710 HK	BUY	580	5.70	9.63	69%	8.9	7.2	0.4	0.3	4.0	4.2
BYD Electronics	285 HK	BUY	11,540	39.85	47.10	18%	13.5	10.9	2.2	1.9	16.3	17.7
Sunny Optical	2382 HK	BUY	10,208	72.55	101.47	40%	21.1	17.3	2.7	2.5	12.7	14.2
Luxshare	002475 CH	BUY	40,259	40.44	55.09	36%	17.6	13.9	2.9	2.8	16.4	20.7
Desay SV	002920 CH	NR	8,519	111.60	NA	NA	23.0	18.0	5.2	4.2	24.4	24.9
Foryou Corp	002906 CH	NR	2,484	34.40	NA	NA	20.6	16.1	2.6	2.3	12.4	14.2
Jingwei Hirain	688326 CH	NR	1,360	82.40	NA	NA	78.9	29.2	2.0	1.9	5.0	6.4
Average							22.7	14.4	2.2	2.0	12.4	14.0

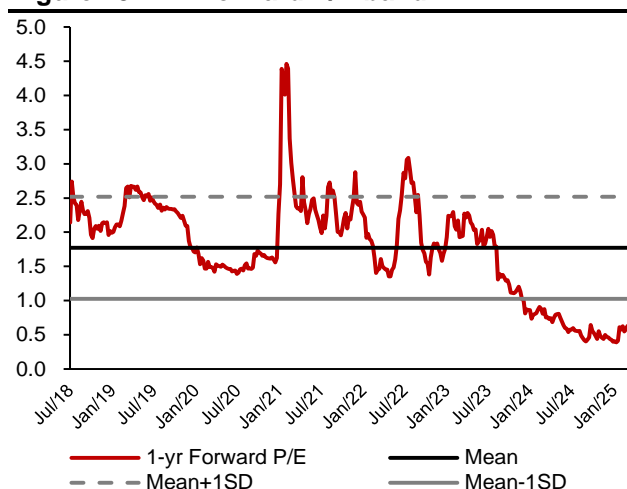
Source: Bloomberg, CMBIGM estimates

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



Source: Bloomberg, CMBIGM estimates

**Figure 13: 12M forward P/B band**



Source: Bloomberg, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
<b>Revenue</b>	<b>4,830</b>	<b>5,802</b>	<b>6,693</b>	<b>7,736</b>	<b>8,755</b>	<b>9,920</b>
Cost of goods sold	(3,789)	(4,719)	(5,725)	(6,615)	(7,442)	(8,414)
<b>Gross profit</b>	<b>1,041</b>	<b>1,084</b>	<b>969</b>	<b>1,122</b>	<b>1,313</b>	<b>1,505</b>
Selling expense	(106)	(113)	(110)	(124)	(140)	(159)
Admin expense	(427)	(599)	(561)	(599)	(700)	(794)
Other income	40	83	46	36	36	36
Other expense	(50)	(51)	(56)	(66)	(61)	(69)
Share of (losses)/profits of associates/JV	2	(0)	3	3	3	3
<b>Net Interest income/(expense)</b>	<b>(45)</b>	<b>(100)</b>	<b>(111)</b>	<b>(100)</b>	<b>(90)</b>	<b>(81)</b>
<b>Pre-tax profit</b>	<b>455</b>	<b>302</b>	<b>180</b>	<b>271</b>	<b>360</b>	<b>441</b>
Income tax	(44)	10	24	(16)	(22)	(26)
<b>After tax profit</b>	<b>411</b>	<b>313</b>	<b>204</b>	<b>255</b>	<b>339</b>	<b>414</b>
Minority interest	(4)	(5)	(4)	(6)	(8)	(9)
<b>Net profit</b>	<b>415</b>	<b>317</b>	<b>209</b>	<b>249</b>	<b>331</b>	<b>405</b>
Gross dividends	126	97	63	75	100	123

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
<b>Current assets</b>	<b>3,351</b>	<b>4,571</b>	<b>5,037</b>	<b>5,411</b>	<b>5,652</b>	<b>6,147</b>
Cash & equivalents	337	517	916	804	778	950
Account receivables	1,698	1,848	2,353	2,198	2,952	2,883
Inventories	1,086	1,554	1,333	1,974	1,487	1,879
Prepayment	182	506	269	269	269	269
ST bank deposits	49	145	166	166	166	166
Financial assets at FVTPL	0	0	0	0	0	0
Other current assets	0	0	0	0	0	0
Contract assets	0	0	0	0	0	0
<b>Non-current assets</b>	<b>724</b>	<b>972</b>	<b>1,073</b>	<b>1,051</b>	<b>1,041</b>	<b>1,040</b>
PP&E	195	250	260	238	228	227
Right-of-use assets	33	41	44	44	44	44
Deferred income tax	54	106	168	168	168	168
Intangibles	325	363	425	425	425	425
Financial assets at FVTPL	85	143	131	131	131	131
Other non-current assets	32	69	45	45	45	45
<b>Total assets</b>	<b>4,075</b>	<b>5,543</b>	<b>6,110</b>	<b>6,463</b>	<b>6,693</b>	<b>7,187</b>
<b>Current liabilities</b>	<b>1,907</b>	<b>2,899</b>	<b>3,321</b>	<b>3,494</b>	<b>3,486</b>	<b>3,688</b>
Short-term borrowings	950	1,384	1,743	1,743	1,743	1,743
Account payables	331	596	575	748	740	942
Tax payable	27	55	45	45	45	45
Other current liabilities	1	3	1	1	1	1
Lease liabilities	20	16	20	20	20	20
Accrued expenses	578	845	938	938	938	938
<b>Non-current liabilities</b>	<b>20</b>	<b>286</b>	<b>308</b>	<b>308</b>	<b>308</b>	<b>308</b>
Long-term borrowings	0	268	295	295	295	295
Other non-current liabilities	20	18	13	13	13	13
Share capital	9	9	9	9	9	9
Other reserves	2,129	2,344	2,471	2,650	2,888	3,180
<b>Total shareholders equity</b>	<b>2,149</b>	<b>2,359</b>	<b>2,481</b>	<b>2,661</b>	<b>2,899</b>	<b>3,191</b>
Minority interest	11	6	1	1	1	1
<b>Total equity and liabilities</b>	<b>4,075</b>	<b>5,543</b>	<b>6,110</b>	<b>6,463</b>	<b>6,693</b>	<b>7,187</b>

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	455	302	180	271	360	441
Depreciation & amortization	85	21	62	68	63	60
Tax paid	(42)	38	14	(16)	(22)	(26)
Change in working capital	(797)	(87)	(211)	(313)	(275)	(120)
Others	6	(277)	0	0	0	0
<b>Net cash from operations</b>	<b>(293)</b>	<b>(4)</b>	<b>45</b>	<b>10</b>	<b>127</b>	<b>355</b>
<b>Investing</b>						
Capital expenditure	(200)	(75)	(87)	(46)	(53)	(60)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Net proceeds from disposal of short-term investments	26	0	0	0	0	0
Others	(21)	(193)	0	0	0	0
<b>Net cash from investing</b>	<b>(194)</b>	<b>(269)</b>	<b>(87)</b>	<b>(46)</b>	<b>(53)</b>	<b>(60)</b>
<b>Financing</b>						
Dividend paid	(63)	(97)	(63)	(75)	(100)	(123)
Net borrowings	269	0	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	(0)	548	0	0	0	0
<b>Net cash from financing</b>	<b>205</b>	<b>451</b>	<b>(63)</b>	<b>(75)</b>	<b>(100)</b>	<b>(123)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	572	337	517	916	804	778
Exchange difference	47	2	71	0	0	0
<b>Cash at the end of the year</b>	<b>337</b>	<b>517</b>	<b>916</b>	<b>804</b>	<b>778</b>	<b>950</b>
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Revenue	52.1%	20.1%	15.4%	15.6%	13.2%	13.3%
Gross profit	66.4%	4.1%	(10.6%)	15.8%	17.1%	14.6%
Net profit	106.9%	(23.5%)	(34.3%)	19.4%	32.8%	22.4%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Gross profit margin	21.5%	18.7%	14.5%	14.5%	15.0%	15.2%
Return on equity (ROE)	21.3%	14.1%	8.6%	9.7%	11.9%	13.3%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Current ratio (x)	1.8	1.6	1.5	1.5	1.6	1.7
Receivable turnover days	108.1	111.5	114.6	107.4	107.4	107.4
Inventory turnover days	76.3	102.1	92.0	91.3	84.9	73.0
Payable turnover days	27.3	35.8	37.3	36.5	36.5	36.5
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
P/E	3.2	4.2	6.3	5.3	4.0	3.3
P/E (diluted)	3.2	4.2	6.3	5.3	4.0	3.3
P/B	0.6	0.6	0.5	0.5	0.5	0.4
Div yield (%)	10.8	0.7	5.2	5.7	7.6	9.3

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



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