

AAC Tech (2018 HK)

1H25 preview: structural upgrade cycle across multiple segments

We estimate AAC to deliver strong revenue/net profit growth of 24%/66% YoY in 1H25E, driven by 1) Acoustics/automotive PSS: Android master-SLS/combo speaker upgrade, AI glasses orders and domestic client wins in auto acoustics; 2) Electromagnetic drive: haptics spec upgrade and new product ramp-up; 3) Precision mechanics: Android foldable phone casing, VC in AI phones and hinge order wins; 4) Optics: share gain and spec upgrade in handset lens (7P/WLG) and HCM (OIS/periscope). Overall, we raise FY25-27E EPS forecast by 8-12% mainly to reflect stronger optics/PM business and better profitability in optics, and our new SOTP-based TP of HK\$63.54 implies 25.3x FY25E P/E. Maintain BUY.

■ **1H25 preview: expect 24%/66% revenue/net profit YoY growth.** We expect AAC to report in-line revenue/net profit in 1H25 (+24%/66% YoY), backed by acoustics/haptics spec upgrade from major US clients, order ramp-up for thermal products, client wins in automotive acoustics and improving profitability of optics business. By segment, we estimate 1) acoustics/auto PSS to grow 10%/8% YoY on spec upgrade and client wins, 2) ED segment to grow 49% YoY thanks to upgrade of side-button modules, 3) PM segment to grow 36% YoY on Android foldable casing/hinges and new thermal VC products, 4) optics segment to grow 22% YoY thanks to share gains in high-end lens (7P/WLG) and HCM (OIS/periscope).

■ **Structural growth opportunities in AI/foldable/ultra-thin phones, AI glasses, auto acoustics/optics and robotics.** Looking into 2H25/2026, leveraging technology leadership across multiple product lines, we believe AAC is well-positioned to capture new opportunities and spec upgrade trends in AI/foldable/ultrathin phones (optics/VC/MEMS/hinges), AI glasses (MEMS/optics/haptics), automotive acoustics/optics and robotics (sensors/acoustics/optics/actuators).

■ **Valuation/Key risks.** We lift our FY25-27E EPS forecast by 8-12% to factor in stronger optics/PM segments and better margins in optics. Our new SOTP-based TP of HK\$63.54 implies 25.3x FY25E P/E. Trading at 16.1x/13.4x FY25/26E P/E, the stock is attractive, vs 49%/20% FY25/26E EPS growth. Reiterate BUY. Upcoming catalysts include product launches (AI/foldable/ultra-thin phones/AI glasses), robotics orders and optics margin expansion.

Earnings Summary

| (YE 31 Dec) | FY23A | FY24A | FY25E | FY26E | FY27E |
|----------------------|--------|---------|---------|---------|---------|
| Revenue (RMB mn) | 20,419 | 27,328 | 32,645 | 36,599 | 39,638 |
| YoY growth (%) | (1.0) | 33.8 | 19.5 | 12.1 | 8.3 |
| Net profit (RMB mn) | 740.4 | 1,797.2 | 2,683.1 | 3,217.6 | 3,611.2 |
| YoY growth (%) | (9.9) | 142.7 | 49.3 | 19.9 | 12.2 |
| EPS (Reported) (RMB) | 0.63 | 1.53 | 2.29 | 2.74 | 3.08 |
| YoY growth (%) | (8.3) | 143.8 | 49.2 | 19.9 | 12.2 |
| Consensus EPS (RMB) | na | na | 2.23 | 2.65 | 3.07 |
| P/E (x) | 58.4 | 24.0 | 16.1 | 13.4 | 11.9 |
| P/B (x) | 1.9 | 1.9 | 1.7 | 1.6 | 1.4 |
| Yield (%) | 27.2 | 65.4 | 118.4 | 142.0 | 159.3 |
| ROE (%) | 3.3 | 7.9 | 11.1 | 12.2 | 12.4 |

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$63.54**

(Previous TP **HK\$58.78**)

Up/Downside **58.1%**

Current Price **HK\$40.20**

China Technology

Alex NG

(852) 3900 0881

alexng@cmbi.com.hk

Hanqing LI

lihanqing@cmbi.com.hk

Stock Data

| | |
|--------------------------|-------------|
| Mkt Cap (HK\$ mn) | 48,159.6 |
| Avg 3 mths t/o (HK\$ mn) | 234.3 |
| 52w High/Low (HK\$) | 53.85/24.60 |
| Total Issued Shares (mn) | 1198.0 |

Source: FactSet

Shareholding Structure

| | |
|--------------|-------|
| Wu Chunyuan | 21.9% |
| Pan Zhengmin | 19.5% |

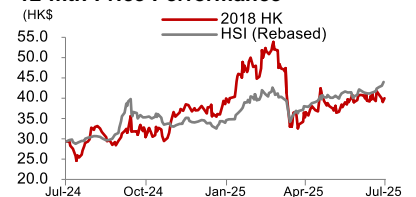
Source: HKEx

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | -2.2% | -5.7% |
| 3-mth | 10.0% | -4.8% |
| 6-mth | 0.6% | -20.5% |

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

1. AAC Tech (2018 HK) - Takeaways from mgmt. visit: Multiple growth drivers from optics, automotive and robotics ([link](#))
2. AAC Tech (2018 HK) - Beneficiary of edge AI upgrade cycle; Raise TP to HK\$58.78 ([link](#))
3. AAC Tech (2018 HK) - Multiple growth drivers and improving margin to continue into 2025; Raise TP to HK\$53.48 ([link](#))
4. AAC Tech (2018 HK) - Product upgrades and margin expansion to continue; Reiterate BUY ([link](#))
5. AAC Tech (2018 HK) - Riding on new upgrade cycle; Upgrade to BUY ([link](#))

1H25 results preview

Figure 1: 1H25 results preview

| RMB mn | 1H24 | 2H24 | 1H25E | HoH | YoY | Consensus | |
|------------------|--------|--------|--------|----------|---------|-----------|----------|
| | | | | | | 1H25E | Diff % |
| Revenue | 11,247 | 16,081 | 13,889 | -14% | 24% | 14,551 | -5% |
| Gross profit | 2,418 | 3,624 | 3,164 | -13% | 31% | 3,313 | -4% |
| Operating profit | 605 | 1,474 | 997 | -32% | 65% | 1,120 | -11% |
| Adj. net profit | 537 | 1,260 | 892 | -29% | 66% | 933 | -4% |
| Adj. EPS (RMB) | 0.46 | 1.07 | 0.76 | -29% | 66% | 0.78 | -2% |
| Gross margin | 21.5% | 22.5% | 22.8% | 0.2 ppt | 1.3 ppt | 22.8% | 0 ppt |
| Operating margin | 5.4% | 9.2% | 7.2% | -2 ppt | 1.8 ppt | 7.7% | -0.5 ppt |
| Adj. net margin | 4.8% | 7.8% | 6.4% | -1.4 ppt | 1.7 ppt | 6.4% | 0 ppt |

Source: Company data, Bloomberg, CMBIGM estimates

Earnings revision

Figure 2: CMBIGM earnings revisions

| RMB mn | New | | | Old | | | Change (%) | | |
|--------------|--------|--------|--------|--------|--------|--------|------------|---------|---------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Revenue | 32,645 | 36,599 | 39,638 | 32,566 | 35,113 | 37,561 | 0% | 4% | 6% |
| Gross Profit | 7,636 | 8,876 | 9,750 | 7,532 | 8,384 | 9,022 | 1% | 6% | 8% |
| Net profit | 2,683 | 3,218 | 3,611 | 2,489 | 2,943 | 3,230 | 8% | 9% | 12% |
| EPS (RMB) | 2.29 | 2.74 | 3.08 | 2.12 | 2.51 | 2.75 | 8% | 9% | 12% |
| Gross Margin | 23.4% | 24.2% | 24.6% | 23.1% | 23.9% | 24.0% | 0.3 ppt | 0.4 ppt | 0.6 ppt |
| Net Margin | 9.1% | 9.7% | 10.0% | 8.5% | 9.3% | 9.5% | 0.6 ppt | 0.4 ppt | 0.5 ppt |

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM estimates vs consensus

| RMB mn | CMBIGM | | | Consensus | | | Diff (%) | | |
|--------------|--------|--------|--------|-----------|--------|--------|----------|----------|----------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Revenue | 32,645 | 36,599 | 39,638 | 34,027 | 37,890 | 42,419 | -4% | -3% | -7% |
| Gross Profit | 7,636 | 8,876 | 9,750 | 7,969 | 9,055 | 10,246 | -4% | -2% | -5% |
| Net profit | 2,683 | 3,218 | 3,611 | 2,628 | 3,127 | 3,620 | 2% | 3% | 0% |
| EPS (RMB) | 2.29 | 2.74 | 3.08 | 2.23 | 2.65 | 3.07 | 3% | 4% | 0% |
| Gross Margin | 23.4% | 24.2% | 24.6% | 23.4% | 23.9% | 24.2% | -0.1 ppt | 0.3 ppt | 0.4 ppt |
| Net Margin | 9.1% | 9.7% | 10.0% | 9.3% | 9.8% | 10.1% | -0.2 ppt | -0.2 ppt | -0.1 ppt |

Source: Bloomberg, CMBIGM estimates

Figure 4: P&L forecast

| RMB mn | FY24 | 1H25E | 2H25E | FY25E | FY26E | FY27E |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 27,328 | 13,889 | 18,756 | 32,645 | 36,599 | 39,638 |
| ... YoY | 33.8% | 23.5% | 16.6% | 19.5% | 12.1% | 8.3% |
| Cost of sales | (21,286) | (10,725) | (14,292) | (25,017) | (27,732) | (29,898) |
| Gross profit | 6,042 | 3,164 | 4,464 | 7,628 | 8,867 | 9,740 |
| GPM (%) | 22.1% | 22.8% | 23.8% | 23.4% | 24.2% | 24.6% |
| ... YoY | 75.0% | 30.9% | 23.2% | 26.2% | 16.2% | 9.8% |
| SG&A | (1,940) | (1,028) | (1,257) | (2,284) | (2,580) | (2,814) |
| ... % of rev | -7.1% | -7.4% | -6.7% | -7.0% | -7.1% | -7.1% |
| R&D | (2,022) | (1,139) | (1,238) | (2,377) | (2,745) | (2,973) |
| ... % of rev | -7.4% | -8.2% | -6.6% | -7.3% | -7.5% | -7.5% |
| Operating profit | 2,080 | 997 | 1,970 | 2,967 | 3,542 | 3,953 |
| OPM (%) | 7.6% | 7.2% | 10.5% | 9.1% | 9.7% | 10.0% |
| ... YoY | 354.9% | 64.7% | 33.6% | 42.7% | 19.4% | 11.6% |
| Income Tax | (227) | (190) | (421) | (611) | (733) | (822) |
| Effective Tax Rate | 11.4% | 18.0% | 19.5% | 19.0% | 19.0% | 19.0% |
| Net profit | 1,797 | 892 | 1,791 | 2,683 | 3,218 | 3,611 |
| NPM (%) | 6.6% | 6.4% | 9.5% | 8.2% | 8.8% | 9.1% |
| ... YoY | 142.7% | 66.2% | 42.1% | 49.3% | 19.9% | 12.2% |

Source: Company data, CMBIGM estimates

Figure 5: Revenue breakdown

| RMB mn | FY24 | 1H25E | 2H25E | FY25E | FY26E | FY27E |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | | | | | | |
| Acoustics | 8,214 | 3,818 | 5,168 | 8,986 | 11,069 | 12,262 |
| PSS | 3,516 | 1,644 | 2,114 | 3,758 | 3,946 | 4,143 |
| Sensor & semi | 773 | 564 | 576 | 1,141 | 1,426 | 1,782 |
| ED&PM | 9,710 | 5,167 | 7,389 | 12,556 | 14,063 | 15,178 |
| Optics | 5,000 | 2,691 | 3,496 | 6,187 | 6,078 | 6,256 |
| Plastic lens | 1,191 | 468 | 1,091 | 1,559 | 1,779 | 1,957 |
| HCM/WLG | 3,809 | 2,223 | 2,405 | 4,628 | 4,300 | 4,300 |
| Others | 115 | 5 | 12 | 17 | 17 | 17 |
| Total | 27,328 | 13,889 | 18,756 | 32,645 | 36,599 | 39,638 |
| Revenue mix | | | | | | |
| Acoustics | 30% | 27% | 28% | 28% | 30% | 31% |
| PSS | 13% | 12% | 11% | 12% | 11% | 10% |
| Sensor & semi | 3% | 4% | 3% | 3% | 4% | 4% |
| ED&PM | 36% | 37% | 39% | 38% | 38% | 38% |
| Optics | 18% | 19% | 19% | 19% | 17% | 16% |
| Plastic lens | 4% | 3% | 6% | 5% | 5% | 5% |
| HCM/WLG | 14% | 16% | 13% | 14% | 12% | 11% |
| Others | 0% | 0% | 0% | 0% | 0% | 0% |
| YoY Growth (%) | | | | | | |
| Acoustics | 10% | 10% | 9% | 9% | 23% | 11% |
| PSS | | - | - | 7% | 5% | 5% |
| Sensor & semi | -25% | 45% | 50% | 47% | 25% | 25% |
| ED&PM | 18% | 41% | 22% | 29% | 12% | 8% |
| Optics | 38% | 22% | 25% | 24% | -2% | 3% |
| Others | 405% | -79% | 151% | -85% | 0% | 0% |
| Total | 34% | 24% | 17% | 19% | 12% | 8% |
| Gross profit margin | | | | | | |
| Acoustics | 30.2% | 30.5% | 31.5% | 31.1% | 31.5% | 31.5% |
| PSS | 24.8% | 25.2% | 25.5% | 25.4% | 25.5% | 26.0% |
| Sensor & semi | 15.6% | 17.0% | 19.0% | 18.0% | 18.5% | 18.5% |
| ED&PM | 23.3% | 24.1% | 23.3% | 23.6% | 23.6% | 23.6% |
| Optics | 6.5% | 9.2% | 13.3% | 11.5% | 13.1% | 14.2% |
| Others | -10.6% | -5.0% | -5.0% | -5.0% | -5.0% | -5.0% |
| Total | 22.1% | 22.8% | 23.8% | 23.4% | 24.2% | 24.6% |

Source: Company data, CMBIGM

Valuation

Maintain BUY with new TP of HK\$63.54

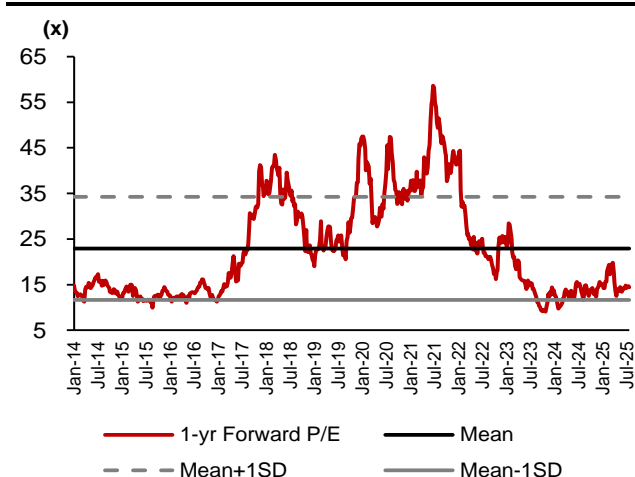
Our new TP of HK\$63.54 is based on SOTP to reflect business diversification with different growth profiles and visibility. Our TP is based on weighted-average target P/E multiple of 25.3x FY25E P/E. We assign 25x/25x P/E to AAC's acoustics/MEMS, 25x P/E to PSS, 25x P/E to ED & PM, and 28x P/E to optics, same as prior target multiples we adopted. Trading at 16.1x/13.4x FY25/26E P/E, the stock is attractive, vs 49%/20% FY25/26E EPS growth. Upcoming catalysts include product launches (AI/foldable/ultra-thin phones/AI glasses), robotics order wins and optics margin expansion.

Figure 6: AAC Tech – SOTP valuation

| Business segment | Value per share (RMB) | Valuation Methodology | Target P/E | % of FY25E Profit | FY25E EPS (RMB) |
|-----------------------|-----------------------|-----------------------|--------------|-------------------|-----------------|
| Acoustics-Traditional | 20.93 | P/E target multiple | 25x | 37% | 0.84 |
| Acoustics-PSS | 7.15 | P/E target multiple | 25x | 12% | 0.29 |
| MEMS | 1.54 | P/E target multiple | 25x | 3% | 0.06 |
| ED & PM | 22.22 | P/E target multiple | 25x | 39% | 0.89 |
| Optics | 5.98 | P/E target multiple | 28x | 9% | 0.21 |
| TP (RMB) | 57.82 | | 25.3x | | 2.29 |
| TP (HK\$) | 63.54 | | | | |

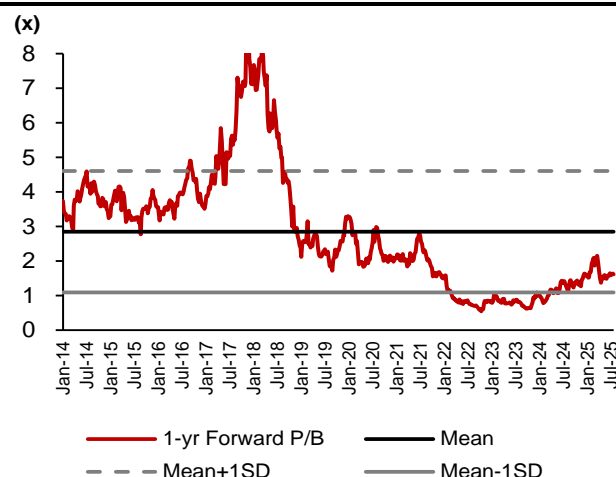
Sources: Company data, CMBIGM estimates

Figure 7: 12M forward P/E band



Source: Bloomberg, CMBIGM estimates

Figure 8: 12M forward P/B band



Source: Bloomberg, CMBIGM estimates

Financial Summary

| INCOME STATEMENT | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Revenue | 20,625 | 20,419 | 27,328 | 32,645 | 36,599 | 39,638 |
| Cost of goods sold | (16,850) | (16,967) | (21,286) | (25,017) | (27,732) | (29,898) |
| Gross profit | 3,775 | 3,452 | 6,042 | 7,628 | 8,867 | 9,740 |
| Selling expense | (448) | (443) | (670) | (779) | (878) | (951) |
| Admin expense | (1,036) | (978) | (1,270) | (1,506) | (1,702) | (1,863) |
| R&D expense | (1,546) | (1,573) | (2,022) | (2,377) | (2,745) | (2,973) |
| Operating profit | 745 | 457 | 2,080 | 2,967 | 3,542 | 3,953 |
| Other income | 525 | 591 | 411 | 667 | 732 | 793 |
| Other expense | 0 | 0 | 0 | 0 | 0 | 0 |
| Gain/loss on financial assets at FVTPL | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment gain/loss | 0 | 0 | 0 | 0 | 0 | 0 |
| Share of (losses)/profits of associates/JV | (1) | (0) | (0) | 0 | 0 | 0 |
| Net Interest income/(expense) | (403) | (391) | (417) | (417) | (417) | (417) |
| Foreign exchange gain/loss | (6) | 14 | 22 | 0 | 0 | 0 |
| Other income/expense | 0 | 152 | (105) | 0 | 0 | 0 |
| Others | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 861 | 823 | 1,990 | 3,216 | 3,857 | 4,328 |
| Income tax | (231) | (252) | (227) | (611) | (733) | (822) |
| After tax profit | 629 | 571 | 1,764 | 2,605 | 3,124 | 3,506 |
| Minority interest | (192) | (170) | (34) | (78) | (94) | (105) |
| Net profit | 821 | 740 | 1,797 | 2,683 | 3,218 | 3,611 |

| BALANCE SHEET | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Current assets | 17,116 | 16,527 | 20,902 | 21,291 | 34,850 | 34,630 |
| Cash & equivalents | 6,814 | 6,825 | 7,538 | 4,402 | 17,840 | 14,914 |
| Account receivables | 5,531 | 6,653 | 9,371 | 10,491 | 11,902 | 12,428 |
| Inventories | 4,401 | 2,992 | 3,938 | 6,343 | 5,053 | 7,233 |
| ST bank deposits | 341 | 21 | 6 | 6 | 6 | 6 |
| Financial assets at FVTPL | 0 | 3 | 3 | 3 | 3 | 3 |
| Other current assets | 28 | 33 | 47 | 47 | 47 | 47 |
| Non-current assets | 23,227 | 22,384 | 25,798 | 23,418 | 20,508 | 17,146 |
| PP&E | 19,302 | 18,070 | 17,884 | 15,504 | 12,594 | 9,232 |
| Deferred income tax | 228 | 204 | 414 | 414 | 414 | 414 |
| Investment in JVs & assos | 3 | 286 | 3 | 3 | 3 | 3 |
| Intangibles | 564 | 589 | 1,706 | 1,706 | 1,706 | 1,706 |
| Goodwill | 275 | 275 | 2,093 | 2,093 | 2,093 | 2,093 |
| Financial assets at FVTPL | 186 | 413 | 450 | 450 | 450 | 450 |
| Other non-current assets | 2,668 | 2,546 | 3,180 | 3,180 | 3,180 | 3,180 |
| Total assets | 40,343 | 38,911 | 46,700 | 44,710 | 55,358 | 51,776 |
| Current liabilities | 9,055 | 10,129 | 14,403 | 10,318 | 18,453 | 12,052 |
| Short-term borrowings | 1,833 | 1,464 | 1,728 | 1,728 | 1,728 | 1,728 |
| Account payables | 4,959 | 5,796 | 9,558 | 5,423 | 13,523 | 7,093 |
| Tax payable | 118 | 101 | 252 | 301 | 337 | 365 |
| Other current liabilities | 1,823 | 2,363 | 479 | 479 | 479 | 479 |
| Lease liabilities | 292 | 389 | 489 | 489 | 489 | 489 |
| Contract liabilities | 30 | 16 | 63 | 63 | 63 | 63 |
| Non-current liabilities | 9,093 | 6,410 | 9,180 | 9,180 | 9,180 | 9,180 |
| Long-term borrowings | 1,727 | 1,726 | 3,883 | 3,883 | 3,883 | 3,883 |
| Bond payables | 6,088 | 3,662 | 3,721 | 3,721 | 3,721 | 3,721 |
| Obligations under finance leases | 485 | 381 | 634 | 634 | 634 | 634 |
| Other non-current liabilities | 793 | 641 | 932 | 932 | 932 | 932 |
| Total liabilities | 18,148 | 16,540 | 23,583 | 19,497 | 27,633 | 21,232 |
| Share capital | 98 | 97 | 97 | 97 | 97 | 97 |
| Other reserves | 21,559 | 21,784 | 22,657 | 24,830 | 27,437 | 30,362 |
| Total shareholders equity | 22,196 | 22,371 | 23,117 | 25,212 | 27,725 | 30,545 |
| Minority interest | 539 | 490 | 362 | 284 | 191 | 85 |
| Total equity and liabilities | 40,343 | 38,911 | 46,700 | 44,710 | 55,358 | 51,776 |

| CASH FLOW | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Operating | | | | | | |
| Profit before taxation | 861 | 823 | 1,990 | 3,216 | 3,857 | 4,328 |
| Depreciation & amortization | 2,776 | 2,843 | 0 | 0 | 0 | 0 |
| Tax paid | (304) | (246) | (76) | (562) | (696) | (794) |
| Change in working capital | 420 | 1,247 | 112 | (7,660) | 7,978 | (9,136) |
| Others | 619 | (34) | 3,176 | 5,056 | 5,248 | 5,411 |
| Net cash from operations | 4,372 | 4,633 | 5,203 | 49 | 16,386 | (191) |
| Investing | | | | | | |
| Capital expenditure | (625) | (1,141) | (2,657) | (2,258) | (1,920) | (1,632) |
| Acquisition of subsidiaries/ investments | (195) | (305) | 0 | 0 | 0 | 0 |
| Net proceeds from disposal of short-term investments | (131) | (213) | 0 | 0 | 0 | 0 |
| Others | (1,398) | 148 | (828) | 0 | 0 | 0 |
| Net cash from investing | (2,349) | (1,512) | (3,485) | (2,258) | (1,920) | (1,632) |
| Financing | | | | | | |
| Dividend paid | (144) | (118) | (281) | (510) | (611) | (686) |
| Net borrowings | 222 | (376) | 0 | 0 | 0 | 0 |
| Share repurchases | (144) | (118) | (281) | (510) | (611) | (686) |
| Others | (1,373) | (2,559) | (462) | 93 | 194 | 269 |
| Net cash from financing | (1,439) | (3,171) | (1,025) | (927) | (1,029) | (1,103) |
| Net change in cash | | | | | | |
| Cash at the beginning of the year | 6,051 | 6,814 | 6,825 | 7,538 | 4,402 | 17,840 |
| Exchange difference | 178 | 61 | 0 | 0 | 0 | 0 |
| Cash at the end of the year | 6,814 | 6,825 | 7,538 | 4,402 | 17,840 | 14,914 |
| GROWTH | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Revenue | 16.7% | (1.0%) | 33.8% | 19.5% | 12.1% | 8.3% |
| Gross profit | (13.5%) | (8.6%) | 75.0% | 26.2% | 16.2% | 9.8% |
| Operating profit | (49.7%) | (38.7%) | 354.9% | 42.7% | 19.4% | 11.6% |
| Net profit | (37.6%) | (9.9%) | 142.7% | 49.3% | 19.9% | 12.2% |
| PROFITABILITY | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Gross profit margin | 18.3% | 16.9% | 22.1% | 23.4% | 24.2% | 24.6% |
| Operating margin | 3.6% | 2.2% | 7.6% | 9.1% | 9.7% | 10.0% |
| Return on equity (ROE) | 3.7% | 3.3% | 7.9% | 11.1% | 12.2% | 12.4% |
| GEARING/LIQUIDITY/ACTIVITIES | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Current ratio (x) | 1.9 | 1.6 | 1.5 | 2.1 | 1.9 | 2.9 |
| Receivable turnover days | 87.8 | 87.8 | 87.8 | 90.0 | 90.0 | 90.0 |
| Inventory turnover days | 88.6 | 88.6 | 88.6 | 75.0 | 75.0 | 75.0 |
| Payable turnover days | 84.7 | 84.7 | 84.7 | 70.0 | 70.0 | 70.0 |
| VALUATION | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| P/E | 53.6 | 58.4 | 24.0 | 16.1 | 13.4 | 11.9 |
| P/E (diluted) | na | 58.4 | 24.0 | 16.1 | 13.4 | 11.9 |
| P/B | 2.0 | 1.9 | 1.9 | 1.7 | 1.6 | 1.4 |
| Div yield (%) | 32.7 | 27.2 | 65.4 | 118.4 | 142.0 | 159.3 |

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report. Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM. Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.