

Hong Kong

REDUCE (previously HOLD)

Consensus ratings*: Buy 22 Hold 15 Sell 2

Current price:	HK\$27.95
Target price:	HK\$26.41
Previous target:	HK\$33.90
Up/downside:	-5.5%
CGS-CIMB / Consensus:	-29.6%
Reuters:	2018.HK
Bloomberg:	2018 HK
Market cap:	US\$4,338m
	HK\$33,778m
Average daily turnover:	US\$25.89m
	HK\$201.7m
Current shares o/s:	1,209m
Free float:	31.4%

*Source: Bloomberg

Key changes in this note

- FY21-23F revenue decreased by 6-16%
- FY21-23F GPM decreased by 4.6-6.4% pts
- FY21-23F EPS decreased by 20-26%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6.7	-16.1	-42.1
Relative (%)	-16.4	-11.6	-25.4

Major shareholders	% held
Wu Chun Yuan	40.8
JP Morgan Chase & Co.	15.0
The Capital Group Companies, Inc.	12.9

Analyst

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AAC Technologies

Margins still not recovering

- AAC Tech warned that its 4Q21F net profit likely dropped c.75% yoy to c.Rmb130m due to poor performance from its optics business.
- FY22F operational outlook remains weak due to lack of acoustics and haptics upgrades in iPhone 14, in our view.
- Downgrade from Hold to Reduce. Our TP slides to HK\$26.41, now based on 12x 2023F P/E, -2 s.d. from its 3-year average.

FY21-23F EPS cut to reflect lower GPM in optics and acoustics

AAC Tech on 19 Jan issued a profit warning – it expects 4Q21F net profit decline of 71-79% yoy to Rmb160m-190m, leading to FY21F net profit decline of 12-16% to Rmb1.27bn-1.33bn, c.20%/25% below our/Bloomberg consensus forecasts. We cut FY21-23F EPS by 20-26% to reflect lower assumptions for optics, acoustic and haptics GPM, and lower volume and ASP for handset lens amid keener competition in the low- to mid-range market (13MP and below). The profit warning turned us more negative on its short-term revenue growth and earnings due to poor performance in its optics business and still-weak margins for its acoustics and haptics components as the lack of major specification upgrades in both iO/S and Android camp is causing sustained margin pressure on its core segments.

Performance of optics segment worsened in 4Q21F

AAC Tech claimed increased competition, coupled with decreased product ASPs, caused huge margin pressure on its optics business. We believe it cut the prices of its low-to mid-end products (5MP/8MP/13MP) in 4Q21F to gain customers in the Android camp, resulting in significant margin decline. Meanwhile, we believe 4Q21F shipment of its wafer level glass (WLG) hybrid lens was also disappointing, as output remained very small.

FY22F outlook weak due to lack of spec upgrades

We expect FY22F operations to still be weak due to 1) lack of major acoustics and haptics spec upgrades in iPhone 14 (to launch in Sep 22), 2) fierce competition in low- to mid-range handset lens and handset camera modules, and 3) slow penetration of its standardised speaker box among Android customers. Still, we project c.20% FY22F EPS growth, supported by higher volume from acoustics components for iPhones. We remain conservative on its Android customer shipment growth.

Downgrade from Hold to Reduce

We downgrade AAC Tech from Hold to Reduce as we expect slow recovery in acoustics GPM in FY22-23F due to lack of major spec upgrades, and still-weak GPM for its rapidly expanding optics business due to poor product mix and low capacity utilisation. Our TP slides to HK\$26.41, now based on 12x 2023F EPS (from 16x 2022F), 2 s.d. below its 3-year average, to reflect the unfavourable competitive landscape in optics business and its uncertain short-term earnings outlook. We will revisit AAC Tech when its GPM stabilises and its optics segment resumes strong growth. De-rating catalysts: margin pressure on legacy acoustics and haptics components for iPhones, and wider WLG hybrid lens losses.

Financial Summary

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue (Rmbm)	17,884	17,140	17,373	18,634	20,320
Net Profit (Rmbm)	2,222	1,507	1,304	1,561	1,847
Normalised EPS (Rmb)	1.82	1.25	1.08	1.29	1.53
Normalised EPS Growth	(41.0%)	(31.5%)	(13.4%)	19.7%	18.3%
FD Normalised P/E (x)	12.51	18.27	21.10	17.63	14.91
Price To Sales (x)	1.54	1.61	1.58	1.48	1.35
DPS (Rmb)	0.32	0.24	0.21	0.25	0.30
Dividend Yield	1.42%	1.07%	0.92%	1.11%	1.31%
EV/EBITDA (x)	6.63	7.61	7.16	6.44	5.81
P/FCFE (x)	9.63	63.53	NA	17.49	21.15
Net Gearing	14.9%	3.5%	17.2%	13.8%	9.7%
P/BV (x)	1.42	1.30	1.39	1.32	1.24
ROE	11.5%	7.4%	6.4%	7.7%	8.6%
% Change In Normalised EPS Estimates			(20.3%)	(25.6%)	(23.6%)
Normalised EPS/consensus EPS (x)			0.83	0.76	0.73

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Margins still not recovering

Figure 1: 4Q21F results preview

FYE Dec 31 (Rmb m)	4QFY21F	4QFY20	yoy % chng	3QFY21	qoq % chng	4QFY21F Cum	4QFY20 Cum	yoy % chng	Prev. FY21F	Comments
Revenue	4,518	4,783	(5.5)	4,638	(2.6)	17,373	17,140	1.4	18,494	4Q21F revenue likely fell 5% yoy on weak demand for
Operating costs	(3,331)	(3,399)	(2.0)	(3,606)	(7.6)	(12,697)	(12,984)	(2.2)	(13,434)	acoustics and optics products from its Android customers amid
EBITDA	1,186	1,384	(14.3)	1,032	15.0	4,676	4,156	12.5	5,060	supply chain disruptions.
EBITDA margin (%)	26.3	28.9		22.2		26.9	24.2		27.4	We expect 4Q21F GPM to drop 4.0 pts yoy (-3.1% pt qoq) to 19.6%
<i>Deprn & amort.</i>	(816)	(572)	42.5	(635)	28.4	(2,856)	(2,215)	29.0	(2,856)	due to significant margin pressure on optics segment.
EBIT	371	812	(54.4)	397	(6.5)	1,820	1,941	(6.2)	2,204	
Interest expense	(26)	(107)	(75.8)	(121)	(78.7)	(353)	(353)	-	(353)	
Interest & invt inc	16	16	4.4	(40)	141.2	59	59	-	59	
Associates' contrib	1	-	N/M	(1)	N/M	-	-	N/M	-	
Exceptionals	-	-	N/M	-	N/M	-	-	N/M	-	
Pretax profit	362	721	(49.8)	235	54.0	1,526	1,648	(7.4)	1,910	
Tax	(140)	39	(455.3)	(23)	509.7	(206)	(147)	40.6	(258)	
<i>Tax rate (%)</i>	38.8	(5.5)		9.8	-	13.5	8.9		13.5	
Minority interests	(21)	1	N/M	(12)	N/M	(16)	6	N/M	(16)	
Net profit	200	761	(73.7)	200	0.1	1,304	1,507	(13.4)	1,636	4Q21F net profit likely dropped 74% yoy to Rmb200m due to
Core net profit	200	761	(73.7)	200	0.1	1,304	1,507	(13.4)	1,636	weakened GPM and revenue.
EPS (Rmb cts)	16.6	63.0	(73.7)	16.5	0.1	107.9	124.7	(13.4)	135.4	FY21F net profit could only formed 80% of our FY21F original
Core EPS (Rmb cts)	16.6	63.0	(73.7)	16.5	0.1	107.9	124.7	(13.4)	135.4	forecasts, c.20% below our estimate.

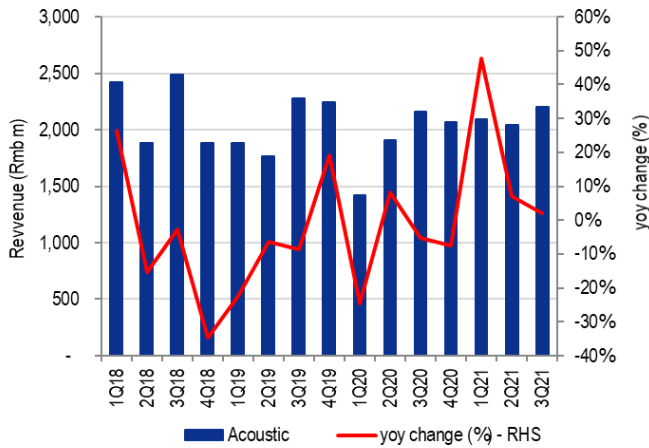
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Operational figures, by quarter (1Q18 to 1Q21)

FYE 31 Dec	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Rmb (million)															
Total revenue	4,638	3,786	4,869	4,838	3,753	3,815	5,012	5,305	3,560	4,277	4,520	4,783	4,292	4,317	4,246
- Acoustics	2,417	1,885	2,492	1,881	1,880	1,766	2,280	2,241	1,420	1,909	2,160	2,071	2,096	2,042	2,202
- Electromagnetic drives and precision mechanics	1,948	1,490	1,930	2,514	1,530	1,500	2,118	2,546	1,690	1,726	1,520	1,912	1,228	1,219	1,400
- MEMS	186	158	268	203	154	226	289	259	199	259	368	257	283	238	254
- Optics	n.a.	n.a.	n.a.	n.a.	151	266	313	340	245	379	474	536	674	808	390
Gross profit	1,764	1,331	1,804	1,844	1,129	955	1,483	1,539	823	995	1,067	1,342	1,337	1,078	964
Net profit	1,141	640	964	1,052	436	304	676	743	53	269	424	761	532	389	183
Yoy change (%)															
Total revenue	10.0%	-14.5%	-8.5%	-32.3%	-19.1%	0.8%	2.9%	9.6%	-5.1%	12.1%	-9.8%	-9.8%	20.6%	0.9%	-6.1%
- Acoustics	26.5%	-15.5%	-2.8%	-34.6%	-22.2%	-6.3%	-8.5%	19.2%	-24.5%	8.1%	-5.3%	-7.6%	47.6%	6.9%	2.0%
- Electromagnetic drives and precision mechanics	-11.1%	-22.8%	-21.0%	-36.0%	-21.5%	0.7%	9.7%	1.3%	10.5%	15.0%	-28.2%	-24.9%	-27.3%	-29.4%	-7.9%
- MEMS	76.1%	-7.0%	-5.3%	-29.9%	-17.0%	42.7%	7.8%	28.1%	29.2%	14.4%	27.3%	-1.0%	42.2%	-7.9%	-31.0%
- Optics	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	62.3%	42.6%	51.4%	57.6%	175.1%	112.9%	-17.7%
Gross profit	0.5%	-25.5%	-18.0%	-38.1%	-36.0%	-45.9%	-17.8%	-14.7%	-27.1%	4.2%	-28.1%	-12.8%	62.5%	8.3%	-9.6%
Net profit	7.1%	-40.6%	-29.6%	-42.8%	-61.8%	-73.3%	-29.9%	-22.9%	-87.9%	-11.7%	-37.3%	2.5%	909.7%	44.8%	-56.8%
Margin (%)															
Gross profit margin	38.0%	35.2%	37.1%	38.1%	30.1%	25.0%	29.6%	29.0%	23.1%	23.3%	23.6%	28.1%	31.1%	25.0%	22.7%
- Acoustics	38.1%	36.8%	38.6%	34.7%	32.9%	27.1%	30.1%	30.3%	26.0%	26.5%	26.6%	31.9%	37.4%	28.4%	26.6%
- Electromagnetic drives and precision mechanics	41.6%	36.9%	38.1%	36.9%	32.3%	27.1%	29.5%	29.6%	23.6%	22.8%	20.1%	27.7%	25.5%	22.2%	20.1%
- MEMS	18.9%	20.1%	35.7%	26.9%	18.5%	26.9%	31.3%	29.3%	16.5%	16.0%	19.0%	17.8%	16.7%	15.8%	19.0%
- Optics	n.a.	n.a.	n.a.	n.a.	n.a.	-2.7%	1.3%	11.9%	9.8%	13.8%	24.5%	21.5%	27.8%	22.0%	24.5%
EBITDA margin	34.6%	33.0%	34.2%	35.0%	26.8%	24.1%	26.6%	26.0%	20.6%	21.4%	24.8%	28.9%	30.7%	24.9%	25.9%
Net profit margin	24.6%	16.9%	19.8%	21.7%	11.6%	8.0%	13.5%	14.0%	1.5%	6.3%	9.4%	15.9%	12.4%	9.0%	4.3%
Margin change (yoy pt %)															
Gross profit margin	-3.6%	-5.2%	-4.3%	-3.5%	-7.9%	-10.1%	-7.5%	-8.0%	-7.0%	-1.8%	-6.0%	-1.5%	8.0%	1.7%	-0.9%
EBITDA margin	0.3%	-1.6%	0.3%	0.8%	-7.7%	-2.7%	1.2%	-0.6%	-5.7%	0.8%	3.8%	4.1%	3.8%	-5.9%	-1.9%
Net profit margin	-2.3%	-6.9%	-6.0%	-3.4%	-11.4%	-9.8%	-6.3%	-8.4%	-10.1%	-1.4%	-4.0%	1.9%	10.9%	2.7%	-5.1%
Margin change (qoq pt %)															
Gross profit margin	-3.7%	-2.9%	1.9%	1.1%	-8.0%	-5.1%	4.6%	-0.6%	-5.9%	0.2%	0.3%	4.5%	3.1%	-6.2%	-2.3%
EBITDA margin	1.6%	-1.6%	1.1%	0.8%	-8.2%	-2.7%	2.5%	-0.6%	-5.4%	0.8%	3.4%	4.1%	1.8%	-5.9%	1.0%
Net profit margin	-1.0%	-7.7%	2.9%	1.9%	-10.1%	-3.6%	5.5%	0.5%	-12.5%	4.8%	3.1%	6.5%	-3.5%	-3.4%	-4.7%

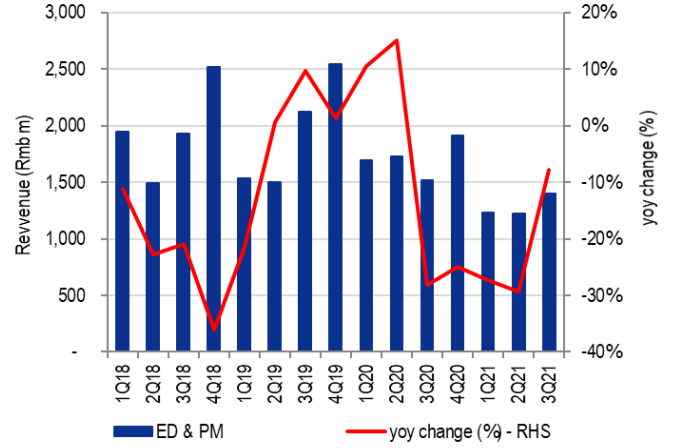
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Acoustics components revenue, by quarter (1Q18 to 3Q21)



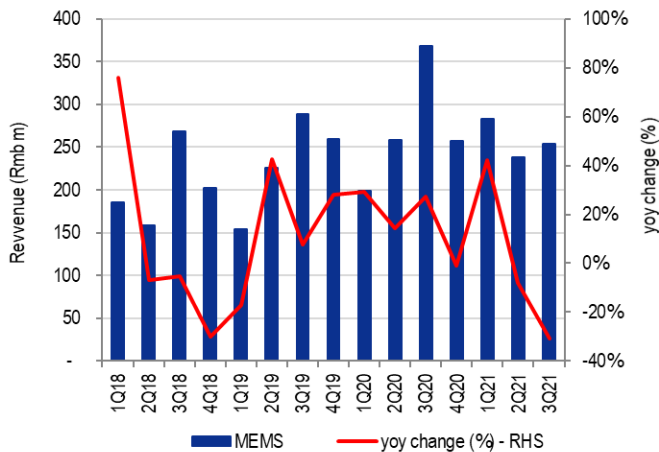
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Electromagnetic drives & precision mechanic revenue, by quarter (1Q18 to 3Q21)



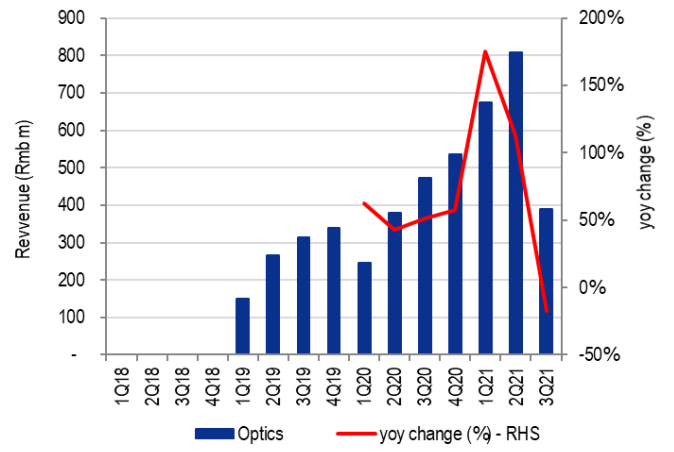
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: MEMS revenue, by quarter (1Q18 to 3Q21)



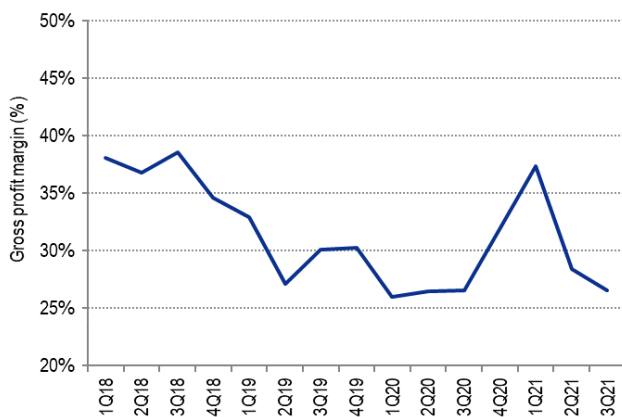
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6 Optics revenue, by quarter (1Q18 to 3Q21)



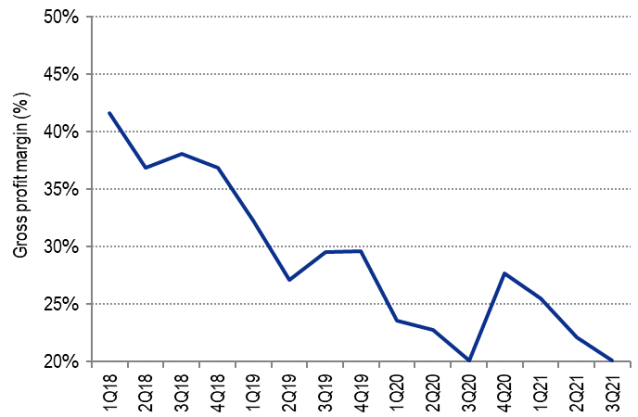
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: Acoustics components GPM, by quarter (1Q18 to 3Q21)



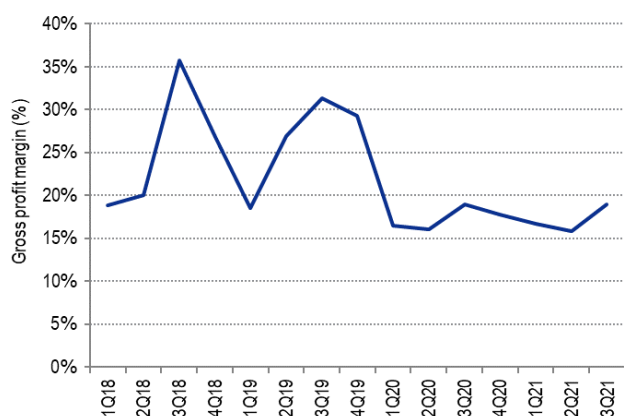
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: Electromagnetic drives & precision mechanic GPM, by quarter (1Q18 to 3Q21)



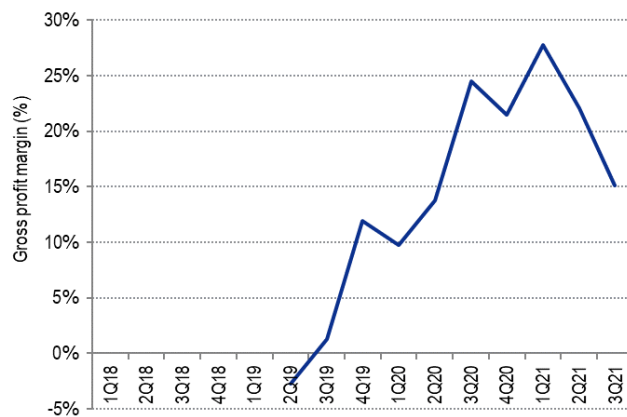
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 9: MEMS revenue, by quarter (1Q18 to 3Q21)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 10: Optics revenue, by quarter (1Q18 to 3Q21)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

FY21-23F EPS cut c.20-26% ▶

We cut FY21F/22F/23F EPS by c.20%/26%/23% as we expect its optics business to see sustained margin pressure due to keener competition in the low-to mid-range market, and expansion of its low-margin handset cameras module business, as well as from slower-than-expected customer adoption of WLG hybrid lens.

- We cut FY21-23F revenue by c.6-16% due to lower shipment of handset lens, and lower ASP for acoustics components for Android customers.
- We lower our FY21-23F GPM assumptions as we believe the margin pressure on its optics business will persist in FY22-23F due to slower-than-expected customer adoption of WLG hybrid lens, and slow product mix improvement.

Upside risks: better-than-expected margin recovery on acoustics and haptics components.

Figure 11: Earnings revisions



FYE 31 Dec (Rmb m)	Dec-20A	Dec-21F			Dec-22F			Dec-23F		
		Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	17,140	18,494	17,373	-6.1%	22,088	18,634	-15.6%	22,601	20,320	-10.1%
Gross profit	4,227	5,312	4,266	-19.7%	6,775	4,795	-29.2%	7,562	5,501	-27.3%
Gross profit margin	24.7%	28.7%	24.6%	-4.2% pts	30.7%	25.7%	-4.9% pts	33.5%	27.1%	-6.4% pts
Net profit	1,507	1,969	1,304	-33.7%	2,651	1,561	-41.1%	2,912	1,847	-36.6%
EPS (Rmb)	1.25	1.35	1.08	-20.3%	1.74	1.29	-25.6%	2.00	1.53	-23.6%

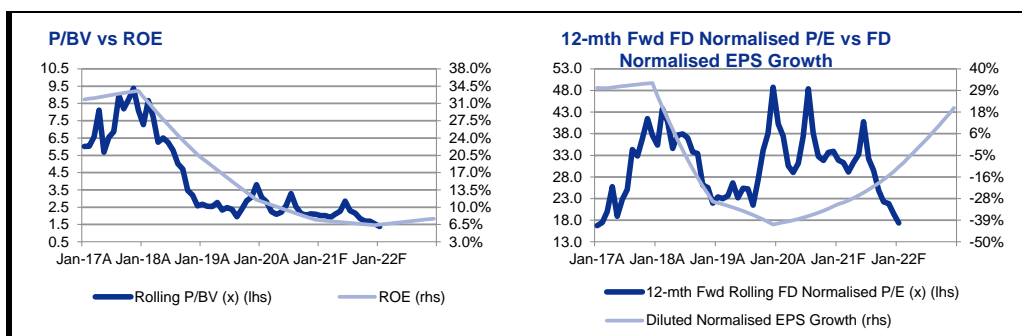
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 12: Peer comparison

Company	Bloomberg Ticker	Recom.	Price Target Price		Market Cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)		P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
			(local curr)	(local curr)		CY21F	CY22F	CY23F	CY21F	CY22F	CY21F	CY22F	CY21F	CY22F	CY21F	CY22F	
Handset vendors																	
Lenovo Group	992 HK	Add	8.47	13.24	13,100	9.1	7.4	6.6	32.9%	3.3	2.7	38.5%	39.8%	3.5	2.6	4.3%	4.8%
Xiaomi	1810 HK	Add	18.90	27.38	60,693	17.6	15.8	13.8	29.2%	2.9	2.6	17.0%	17.3%	14.7	12.2	0.0%	0.0%
Samsung Electronics	005930 KS	Add	76,500	106,000	383,067	14.3	11.1	n.a.	n.a.	1.7	1.5	12.5%	14.4%	5.3	4.1	2.5%	n.a.
Apple	AAPL US	Not Rated	166.23	N/A	2,715,262	29.8	29.0	27.0	19.6%	46.1	36.9	143.7%	133.6%	22.0	21.5	0.5%	0.6%
Average						17.7	15.9	15.8	27.3%	13.5	10.9	52.9%	51.3%	11.4	10.1	1.8%	1.8%
Handset components - Acoustic																	
AAC Technologies	2018 HK	Reduce	27.95	26.41	4,338	21.1	17.6	14.9	10.1%	1.4	1.3	6.3%	7.7%	7.3	6.4	0.9%	1.1%
GoerTek Inc	002241 CH	Not Rated	50.23	N/A	27,060	38.8	28.9	23.2	38.0%	6.8	5.6	18.7%	20.6%	24.3	18.6	0.4%	0.6%
Average						29.9	23.3	19.0	24.0%	4.1	3.5	12.5%	14.2%	15.8	12.5	0.7%	0.8%
Handset components - Casings / EMS																	
BYD Electronic	285 HK	Not Rated	25.55	N/A	7,391	16.1	11.4	8.4	-1.7%	1.9	1.6	12.0%	15.1%	9.7	7.0	0.6%	1.0%
Tongda Group	698 HK	Hold	0.25	0.28	307	4.6	4.7	3.8	6.3%	0.2	0.2	5.6%	6.5%	3.0	2.4	3.2%	3.2%
Lens Technology	300433 CH	Add	19.50	33.55	15,285	18.2	14.4	12.0	n.a.	1.9	1.8	11.1%	12.6%	9.6	7.9	1.4%	1.7%
Luxshare Precision	002475 CH	Not Rated	48.99	N/A	54,627	41.5	30.7	25.0	23.4%	9.7	7.4	23.8%	25.5%	28.9	21.1	0.2%	0.3%
Shezhen Everw in Precision	300115 CH	Not Rated	16.46	N/A	3,117	30.0	16.0	18.7	20.7%	2.8	2.4	7.9%	16.3%	N/A	N/A	0.4%	1.2%
Nanofilm Technologies	NANO SP	Add	2.99	3.92	1,461	31.0	23.9	19.5	18.5%	4.1	3.6	14.0%	16.1%	18.1	14.3	0.6%	1.0%
Catcher Technology	2474 TT	Not Rated	161.50	N/A	4,451	16.0	12.7	11.7	-18.1%	0.8	0.8	5.2%	6.2%	0.3	0.8	6.5%	6.4%
Jabil	JBL US	Not Rated	66.85	N/A	9,592	12.0	10.1	9.3	37.2%	4.5	3.9	41.7%	41.1%	5.3	4.5	0.5%	0.5%
Average						21.2	15.5	13.6	12.3%	3.2	2.7	15.2%	17.4%	10.7	8.3	1.7%	1.9%
Handset components - Displays																	
BOE Technology	000725 CH	Add	4.95	8.50	29,688	8.7	10.9	10.8	50.0%	1.5	1.4	18.1%	13.5%	5.1	5.4	5.8%	3.7%
Tianma Microelectronics	000050 CH	Add	12.84	20.26	4,974	15.2	12.0	10.4	16.8%	0.9	0.8	5.9%	7.1%	8.6	7.4	0.6%	0.9%
LG Display	034220 KS	Reduce	23,100	18,000	6,933	5.9	11.8	9.5	n.a.	0.6	0.6	11.3%	5.2%	2.2	2.6	0.0%	0.0%
Average						9.9	11.6	10.2	33.4%	1.0	1.0	11.8%	8.6%	5.3	5.2	2.1%	1.5%
Handset components - Opticals																	
Cowell Holdings	1415 HK	Add	9.96	14.17	1,067	19.7	12.7	9.2	23.0%	3.2	2.7	18.7%	23.1%	10.5	7.8	0.8%	1.2%
Q Technology	1478 HK	Add	9.65	20.61	1,465	8.1	6.4	5.4	29.7%	1.9	1.5	26.2%	26.9%	4.4	2.9	1.2%	1.6%
Sunny Optical Tech	2382 HK	Add	216.20	295.00	30,458	33.0	25.4	20.2	28.4%	9.2	7.1	31.3%	32.7%	21.7	16.6	0.6%	0.8%
O-Film Tech	002456 CH	Not Rated	8.81	N/A	4,532	21.2	26.9	26.7	13.2%	2.6	2.7	0.1%	4.5%	18.7	13.5	0.0%	0.2%
Will Semiconductor	603501 CH	Add	293.25	387.00	40,474	59.7	49.2	39.1	37.2%	15.9	12.6	30.9%	28.6%	43.6	35.7	0.2%	0.2%
Largan Precision	3008 TT	Not Rated	2,080	N/A	10,096	14.9	14.3	13.2	-5.9%	1.9	1.8	13.5%	13.0%	6.1	5.9	3.7%	3.2%
LG Innotek	011070 KS	Add	375,500	360,000	7,454	10.5	10.1	9.2	n.a.	2.7	2.1	29.3%	23.5%	5.1	5.0	0.7%	0.7%
SEMCO	009150 KS	Add	188,500	195,000	11,810	13.2	12.0	11.0	n.a.	2.2	1.8	17.7%	16.6%	7.3	6.2	0.7%	0.7%
Average						22.5	19.6	16.8	20.9%	5.0	4.0	21.0%	21.1%	14.7	11.7	1.0%	1.1%
Handset components - others																	
Avary Holding Shenzhen	002938 CH	Not Rated	38.45	N/A	14,075	25.6	21.3	19.1	15.0%	3.7	3.4	14.6%	15.5%	15.4	13.4	1.2%	1.3%
Shenzhen Goodix Technology	603160 CH	Reduce	97.09	92.00	7,017	44.7	35.9	30.9	n.a.	4.8	4.2	11.4%	12.5%	61.3	39.4	0.3%	0.3%
Sunwoda Electronics	300207 CH	Not Rated	35.75	N/A	9,690	52.9	32.2	23.4	51.1%	7.0	5.8	13.5%	18.7%	25.3	16.9	0.2%	5.8%
Universal Scientific Industrial	601231 CH	Add	14.84	24.23	5,169	17.7	14.9	12.8	n.a.	2.5	2.4	14.5%	16.5%	10.2	8.9	3.4%	4.0%
Delta Electronics Inc	2308 TT	Not Rated	272.50	N/A	25,614	25.9	22.2	19.0	13.1%	4.5	4.1	16.7%	18.0%	14.9	12.8	2.2%	2.5%
Pegatron	4938 TT	Not Rated	70.90	N/A	6,848	10.4	10.9	10.2	-6.5%	1.1	1.1	10.6%	9.8%	7.1	5.5	6.4%	6.1%
Zhen Dng Technology	4958 TT	Not Rated	102.00	N/A	3,496	10.5	9.1	7.8	11.3%	1.2	1.2	10.3%	11.5%	4.4	4.0	4.6%	5.3%
Average						26.8	20.9	17.6	16.8%	3.6	3.2	13.1%	14.6%	19.8	14.4	2.6%	3.6%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG (PRICE AS AT 21 Jan, 2022)

Refinitiv ESG Scores	
	
ESG in a nutshell	
<p>In 2020, faced with the implementation of the National Standards of Volatile Organic Compounds (VOCs) and amendments to the Law on the Prevention and Control of Environmental Pollution by Solid Waste, AAC Tech engaged its suppliers to immediately analyse the impact of the new regulations on its entire supply chain and collaborated with them to keep the impact to the minimal by managing VOC emissions, providing training, and formulating management systems. Its efforts were recognised by way of its MSCI ESG rating being upgraded from BBB to A, and its inclusion in FTSE4Good Index. In our view, AAC Tech is not involved in any environmentally-detrimental industry practices and it takes the effort to minimise the environmental impact of its operations.</p>	
<p>Keep your eye on</p> <p>We believe AAC Tech can operate in compliance with all relevant laws and regulations, to manage its risks and opportunities and to achieve long-term sustainable growth.</p>	<p>Implications</p> <p>AAC Tech established a Sustainability Working Group (SWG) which reports directly to the Board. The SWG's objectives include but are not limited to identifying the company's sustainability risks and opportunities, evaluating the effectiveness of its existing ESG initiatives and progress of its ESG performance, as well as advising the Board on sustainability strategy and management approach.</p>
<p>ESG highlights</p> <p>AAC Tech understands the expectations and concerns of its internal and external stakeholders. The company has adopted a four-step materiality assessment process to identify ESG issues, and a sustainability management approach with four pillars to support its sustainability actions plans and progress monitoring.</p>	<p>Implications</p> <p>AAC Tech's materiality assessment is a four-step process of identification, prioritisation, validation, and review. It strives to build a relationship of trust with all stakeholders through transparent and open communication, including annual reports, ESG reports, survey, regular dialogue, and meetings. AAC Tech has conducted further analysis on the impact of its operations on the environment and society, and identified the risks as well potential opportunities that can contribute to achieving SDGs.</p> <p>The company's four pillars of sustainability actions are Building a Competent and Future-proof Workforce, Investing in Environmental Impact Mitigation, Innovating to Better Customer Experience, and Being a Responsible and Reliable Enterprise.</p>
<p>Trends</p> <p>In FY20, the company's energy consumption, gas emission, and hazardous waste increased; its water consumption and non-hazardous waste decreased.</p>	<p>Implications</p> <p>AAC Tech's total energy consumption rose 4% yoy to 1,009m kWh in FY20. Total energy intensity (GJ per million Rmb revenue) was 237 in FY20, up 10% yoy.</p> <p>Total water consumption decreased 9% yoy to 11.8m tonnes in FY20. Total water intensity (tonnes per million Rmb revenue) decreased from 725 in FY19 to 687 in FY20.</p> <p>Total greenhouse gases emission rose 5% yoy to 741,666 tCO₂e. Emission intensity (tCO₂e/ten thousand Rmb revenue) rose 11% to 0.43 in FY20.</p> <p>Total hazardous waste was 13,708 tonnes in FY20, down 16% yoy. Total hazardous waste intensity (tonnes/million Rmb revenue) decreased from 0.91 in FY19 to 0.80 in FY20.</p> <p>Total non-hazardous waste was 11,366 tonnes in FY20, down 26% yoy. Total non-hazardous waste intensity (tonnes/million Rmb revenue) increased from 0.51 in FY19 to 0.66 in FY20.</p>
<small>SOURCES: CGS-CIMB RESEARCH, COMPANY REPORT, REFINITIV</small>	

BY THE NUMBERS

Profit & Loss

(Rmbm)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Total Net Revenues	17,884	17,140	17,373	18,634	20,320
Gross Profit	5,107	4,227	4,266	4,795	5,501
Operating EBITDA	4,597	3,806	4,439	4,859	5,269
Depreciation And Amortisation	(2,062)	(2,308)	(2,950)	(3,083)	(3,148)
Operating EBIT	2,534	1,498	1,489	1,776	2,122
Financial Income/(Expense)	(198)	(294)	(294)	(280)	(292)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	197	443	331	342	357
Profit Before Tax (pre-EI)	2,533	1,648	1,526	1,838	2,186
Exceptional Items	19	0	0	0	0
Pre-tax Profit	2,552	1,648	1,526	1,838	2,186
Taxation	(330)	(147)	(206)	(239)	(284)
Exceptional Income - post-tax					
Profit After Tax	2,222	1,501	1,320	1,599	1,902
Minority Interests	0	6	(16)	(38)	(55)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	2,222	1,507	1,304	1,561	1,847
Normalised Net Profit	2,203	1,501	1,320	1,599	1,902
Fully Diluted Normalised Profit	2,203	1,507	1,304	1,561	1,847

Cash Flow

(Rmbm)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
EBITDA	4,597	3,806	4,439	4,859	5,269
Cash Flow from Inv. & Assoc.	0	0	0	0	0
Change In Working Capital	(728)	(201)	(52)	(312)	(417)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	543	737	624	622	649
Net Interest (Paid)/Received	(198)	(294)	(294)	(280)	(292)
Tax Paid	(370)	(147)	(206)	(239)	(284)
Cashflow From Operations	3,843	3,902	4,512	4,650	4,925
Capex	(1,544)	(5,000)	(4,200)	(3,500)	(3,500)
Disposals Of FAs/subsidiaries	0	0	0	0	0
Acq. Of Subsidiaries/investments	(1,357)	0	0	0	0
Other Investing Cashflow	(524)	59	59	56	61
Cash Flow From Investing	(3,425)	(4,941)	(4,141)	(3,444)	(3,439)
Debt Raised/(repaid)	2,443	1,472	(736)	368	(184)
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	(277)	0	0	0	0
Dividends Paid	(1,531)	(483)	(363)	(314)	(376)
Preferred Dividends					
Other Financing Cashflow	(380)	(353)	(353)	(336)	(353)
Cash Flow From Financing	255	636	(1,451)	(282)	(913)
Total Cash Generated	673	(403)	(1,081)	924	573
Free Cashflow To Equity	2,861	433	(366)	1,574	1,301
Free Cashflow To Firm	666	(687)	723	1,542	1,839

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(Rmbm)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Total Cash And Equivalents	5,523	7,632	7,384	7,938	8,696
Total Debtors	5,580	5,182	5,252	5,633	6,142
Inventories	3,664	3,995	4,055	4,282	4,585
Total Other Current Assets	41	40	40	40	40
Total Current Assets	14,808	16,850	16,732	17,893	19,463
Fixed Assets	16,920	18,592	19,889	20,353	20,752
Total Investments	0	95	95	95	95
Intangible Assets	598	741	741	741	741
Total Other Non-Current Assets	1,882	2,634	2,345	2,345	2,345
Total Non-current Assets	19,400	22,062	23,070	23,534	23,933
Short-term Debt	1,876	3,349	2,612	2,980	2,796
Current Portion of Long-Term Debt					
Total Creditors	5,474	5,205	5,283	5,578	5,973
Other Current Liabilities	361	827	418	448	464
Total Current Liabilities	7,711	9,380	8,313	9,006	9,234
Total Long-term Debt	3,850	2,543	5,795	5,425	5,610
Hybrid Debt - Debt Component	2,685	2,512	2,512	2,512	2,512
Total Other Non-Current Liabilities	535	2,607	2,634	2,782	2,979
Total Non-current Liabilities	7,070	7,662	10,941	10,718	11,101
Total Provisions	65	49	49	49	49
Total Liabilities	14,846	17,090	19,303	19,773	20,383
Shareholders' Equity	19,351	21,159	19,770	20,852	22,131
Minority Interests	10	662	728	801	881
Total Equity	19,361	21,821	20,498	21,653	23,013

Key Ratios

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue Growth	(1.4%)	(4.2%)	7.9%	10.6%	11.0%
Operating EBITDA Growth	(23.5%)	(17.2%)	26.4%	13.9%	8.2%
Operating EBITDA Margin	25.7%	22.2%	26.0%	26.8%	26.1%
Net Cash Per Share (Rmb)	(2.39)	(0.64)	(2.89)	(2.18)	(1.27)
BVPS (Rmb)	16.01	17.51	16.53	17.73	19.10
Gross Interest Cover	10.21	4.25	5.28	7.14	7.88
Effective Tax Rate	12.9%	8.9%	13.5%	13.0%	13.0%
Net Dividend Payout Ratio	21.9%	24.1%	24.1%	24.1%	24.1%
Accounts Receivables Days	102.6	114.8	106.2	105.0	104.8
Inventory Days	99.8	108.5	109.8	108.9	108.0
Accounts Payables Days	143.2	151.3	143.1	141.8	140.7
ROIC (%)	9.09%	4.92%	5.55%	6.69%	7.51%
ROCE (%)	9.80%	5.36%	6.20%	7.58%	8.36%
Return On Average Assets	7.34%	4.71%	4.72%	5.71%	6.18%

Key Drivers

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Acoustics revenue growth (yoy change %)	14.0%	16.6%	15.5%	8.2%	8.2%
Optics revenue growth (yoy change %)	94.0%	52.7%	100.4%	48.4%	35.8%
Acoustics GPM (%)	31.0%	27.9%	30.0%	31.0%	31.0%
Optics (GPM %)	1.7%	18.8%	25.0%	30.0%	33.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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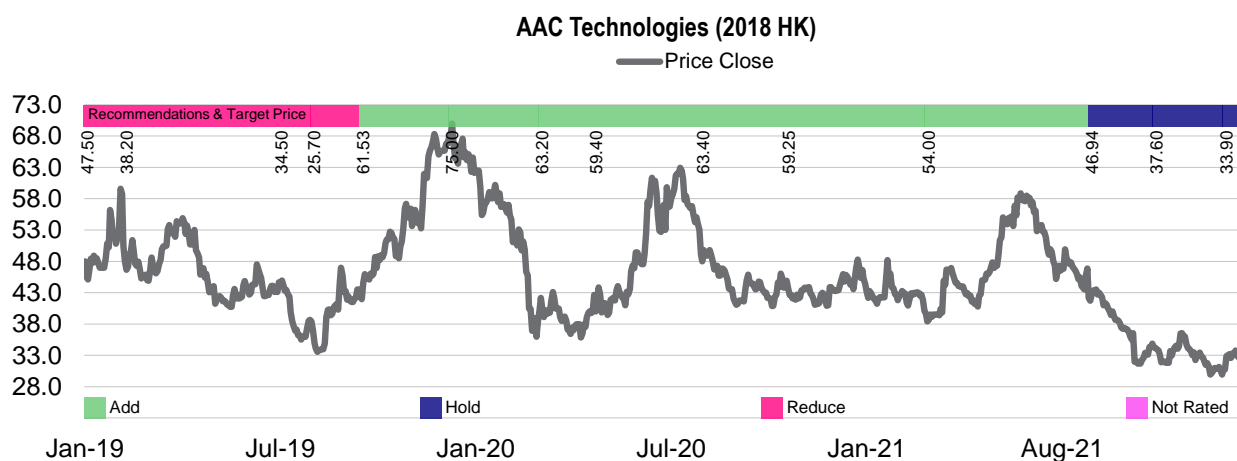
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
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Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

