

Hong Kong

REDUCE (no change)

Consensus ratings*: Buy 19 Hold 15 Sell 5

Current price:	HK\$17.64
Target price:	HK\$16.73
Previous target:	HK\$26.41
Up/downside:	-5.2%
CGS-CIMB / Consensus:	-34.7%
Reuters:	2018.HK
Bloomberg:	2018 HK
Market cap:	US\$2,725m
	HK\$21,318m
Average daily turnover:	US\$24.88m
	HK\$195.4m
Current shares o/s:	1,209m
Free float:	31.4%

*Source: Bloomberg

Key changes in this note

- FY22F/23F revenue decreased by 8%/5%.
- FY22F/23F GPM decreased by 2.2%/1.2% pts.
- FY22F/23F EPS decreased by 23%/10%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-22	-42.9	-56
Relative (%)	-17.8	-37.4	-34.6

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

FY22F outlook remains uncertain

- AAC's 4Q21 net profit fell 72% yoy and FY21 net profit fell 13% yoy due to weak GPM recovery in acoustics and losses for the optics segment.
- We think handset lens' GPM will remain low due to competition and a poor product mix; new optics products are also likely to see low profit margins.
- Reiterate Reduce. TP cut to HK\$16.73 on 23%/10% FY22F/23F EPS cuts.

4Q21 net profit fell 72% yoy due to optics losses

AAC Technologies' (AAC) FY21 net profit fell 13% yoy to Rmb1.32bn, dragged down by higher OPEX and disposal losses. Revenue rose 3% yoy and GPM was flattish at 24.7% in FY21. 2H21 performance was hurt due to supply chain issues and poor optics business performance. 4Q21 net profit fell 72% yoy to Rmb212m (-57% yoy to Rmb183 in 3Q21) due to 312bp yoy (-223bp qoq) GPM erosion.

Optics business dragged down margins

AAC's FY21 optics GPM came in at 17.2% (-1.6 pts yoy) on revenue increased 46% yoy due to a sharp decline in handset lens ASP and the ramp-up of camera modules business. 4Q21 optics revenue fell 4% yoy while GPM declined 2,400bp yoy to -2.1% due to inventory write-offs and a sharp decrease in handset lens ASP. AAC plans to produce auto-focus (AF) handset cameras for Android customers in 2Q22F and start voice coil motor (VCM) shipments in 2H22F. However, we estimate the overall shipments will be relatively small at c.10m units and achieve low profit margin in FY22F. We expect acoustic/haptics component shipments for Apple to resume growth in terms of volume, thanks to a new form factor in the iPhone 14-series (to be launched in Sep 2022); however, we believe the adoption of standardised speaker box by Android customers will remain low in FY22F due to the poor specification upgrade trend.

Slow GPM recovery as it ramps up new optics products

AAC guided for a recovery from 2Q22F onwards, as an improvement in supply chain should drive better shipments of acoustic/haptic components to Android customers. It also expects a better product mix in handset lens, starting with the shipments of VCM camera modules and wafer level glass (WLG) hybrid lens in 2H22F. However, we believe the optics segment GPM will remain under pressure in FY22F as the new products are still in initial stages. We expect optics GPM to decline to 13% in FY22F (c.17% in FY21) due to keen competition in low- to mid-range handset lens and lack of scale in new products. We lower our FY22F/23F EPS by 23%/10% on lower optics GPM and lower acoustic component shipment assumptions. We estimate FY22F net profit will further decline 11% yoy to Rmb1.21bn, with 18% growth in revenue and 110bp decline in GPM.

Reiterate Reduce; target price cut to HK\$16.73

We retain our Reduce rating due to uncertain earnings outlook in FY22F. We would revisit the stock when we see meaning GPM improvement in the optics segment (25% or above) and stabilised margin in acoustic/haptic segments. We lower our TP to HK\$16.73 due to our EPS cut and as we now peg our TP to 10x FY23F P/E (previously 12x). De-rating catalysts: sustained margin pressure in the optics business. Upside risks: better-than-expected margin recovery in optics and acoustic/haptic segments.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (Rmbm)	17,140	17,667	20,760	22,785	24,436
Net Profit (Rmbm)	1,507	1,316	1,209	1,670	1,992
Normalised EPS (Rmb)	1.25	1.13	1.00	1.38	1.65
Normalised EPS Growth	(31.5%)	(9.5%)	(11.4%)	38.1%	19.2%
FD Normalised P/E (x)	11.53	12.73	14.36	10.40	8.72
Price To Sales (x)	1.01	0.98	0.84	0.76	0.71
DPS (Rmb)	0.24	0.16	0.15	0.21	0.24
Dividend Yield	1.69%	1.13%	1.03%	1.43%	1.70%
EV/EBITDA (x)	4.94	5.41	6.21	5.54	4.95
P/FCFE (x)	32.03	NA	30.39	17.52	10.25
Net Gearing	3.5%	16.7%	64.8%	57.5%	48.2%
P/BV (x)	0.82	0.80	1.10	1.03	0.95
ROE	7.4%	6.3%	6.4%	10.2%	11.3%
% Change In Normalised EPS Estimates			(22.5%)	(9.6%)	
Normalised EPS/consensus EPS (x)			0.71	0.76	0.76

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

FY22F outlook remains uncertain

Figure 1: Results comparison

FYE Dec 31 (Rmb m)	4QFY21F	4QFY20	yoy %		4QFY21		4QFY20		yoy %		Prev. FY21F	Comments
			chg	qoq %	Cum	Cum	chg	qoq %				
Revenue	4,812	4,783	0.6	3.7	17,667	17,140	3.1	18,494	4Q21 revenue increased by 0.6% yoy, driven by acoustics			
Operating costs	(3,825)	(3,400)	12.5	6.1	(13,386)	(12,986)	3.1	(13,434)	components (+8% yoy), optics (-4% yoy), Haptics and RF Mechanical			
EBITDA	986	1,383	(28.7)	(4.4)	4,281	4,154	3.0	5,060	(-6% yoy), and MEMS (-7% yoy)			
EBITDA margin (%)	20.5	28.9			24.2	24.2		27.4	4Q21 GPM dropped 7.6 pts yoy to 20.5%, affected by optics (-24.0% pts			
Deprn & amort.	(615)	(571)	7.6	(3.2)	(2,454)	(2,213)	10.9	(2,856)	yoy), acoustics components (-5.2% pts yoy), Haptics and			
EBIT	372	812	(54.2)	(6.3)	1,826	1,941	(5.9)	2,204	RF Mechanical (-7.8% pts yoy), and MEMS (-9.2% pts yoy)			
Interest expense	(89)	(107)	(16.7)	(26.7)	(415)	(353)	17.8	(353)				
Interest & invt inc	11	16	(28.5)	128.2	49	59	(17.6)	59				
Associates' contrib	(0)	-	N/M	N/M	(1)	-	N/M	-				
Exceptionals	(46)	-	N/M	N/M	(46)	-	N/M	-				
Pretax profit	248	721	(65.6)	5.6	1,413	1,648	(14.2)	1,910				
Tax	(54)	39	(236.6)	134.5	(120)	(147)	(18.3)	(258)				
Tax rate (%)	21.7	(5.5)			8.5	8.9		13.5				
Minority interests	18	1	N/M	N/M	23	6	N/M	(16)				
Net profit	212	761	(72.2)	6.0	1,316	1,507	(12.6)	1,636	4Q21 net profit fell 72% yoy due to GPM erosion and FX movements			
Core net profit	258	761	(66.2)	28.8	1,362	1,507	(9.6)	1,636				
EPS (Rmb cts)	17.6	63.0	(72.1)	6.0	109.1	124.7	(12.5)	135.4	FY21 net profit fell 13% yoy to Rmb 1.31bn, in line with bearish forecast.			
Core EPS (Rmb cts)	21.4	63.0	(66.1)	28.8	112.9	124.7	(9.5)	135.4				

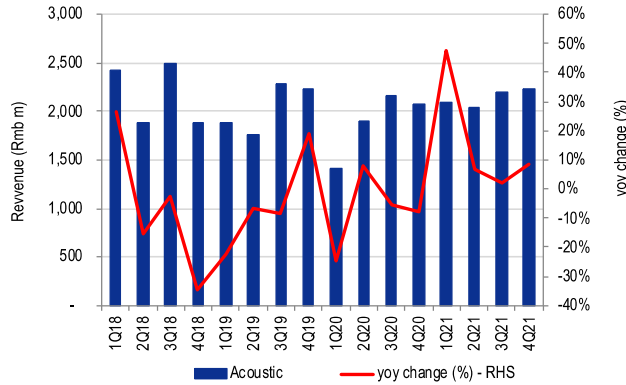
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Operational figures, by quarter (1Q18 to 4Q21)

FYE 31 Dec	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
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	4,812
- 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	2,242
- 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	1,792
- MEMS	186	158	268	203	154	226	289	259	199	259	368	257	283	238	254	238
- Optics	n.a.	n.a.	n.a.	n.a.	151	266	313	340	245	379	474	536	674	808	395	513
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	986
Net profit	1,141	640	964	1,052	436	304	676	743	53	269	424	761	532	389	183	212
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%	0.6%
- 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%	8.3%
- 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%	-6.3%
- 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%	-7.3%
- 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%	-16.7%	-4.4%
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%	-26.6%
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%	-72.2%
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%	20.5%
- 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%	26.7%
- 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%	19.9%
- 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%	8.5%
- 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%	14.9%	-2.5%
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%	21.3%	20.5%
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%	4.4%
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%	-3.1%
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%	-6.5%	-0.8%
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%	-10.6%
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%	-2.2%
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%	-3.6%	-0.8%
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%	0.1%

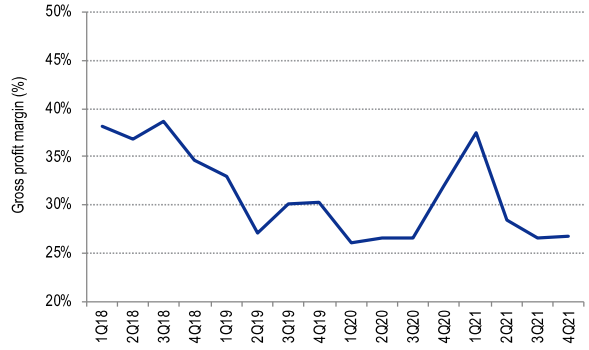
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Acoustic components revenue, by quarter (1Q18 to 4Q21)



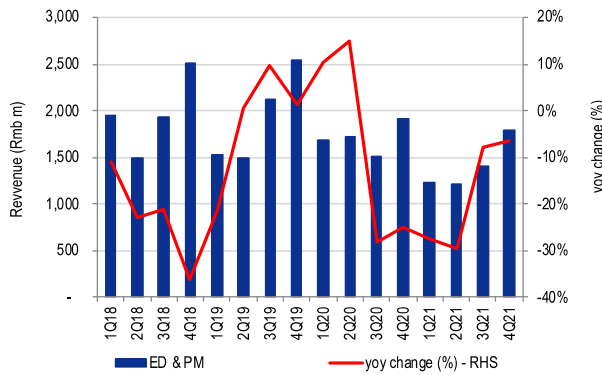
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Acoustic components GPM, by quarter (1Q18 to 4Q21)



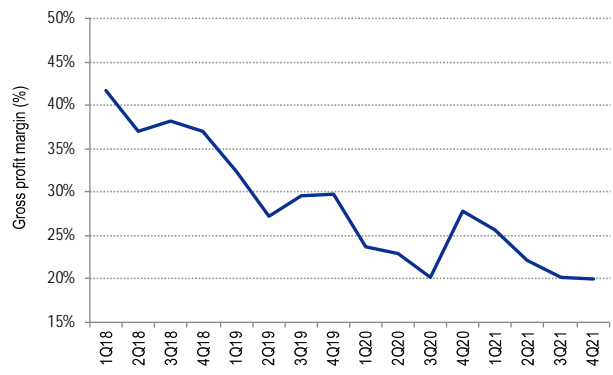
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Electromagnetic drives & precision mechanics revenue, by quarter (1Q18 to 4Q21)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

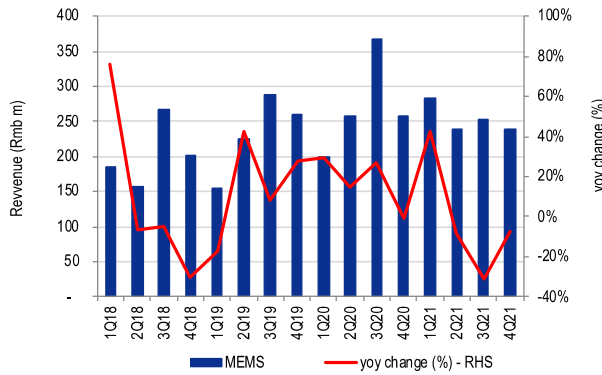
Figure 6: Electromagnetic drives & precision mechanics GPM, by quarter (1Q18 to 4Q21)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

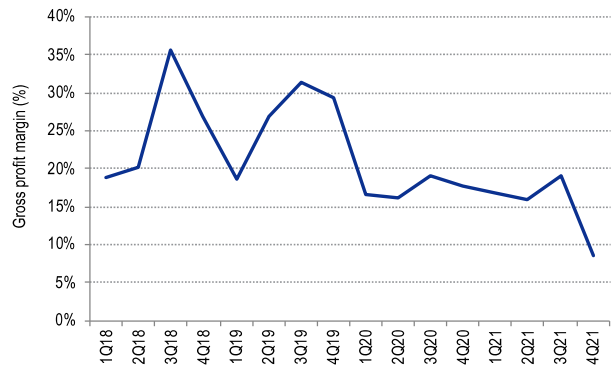
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Figure 7: MEMS revenue, by quarter (1Q18 to 4Q21)



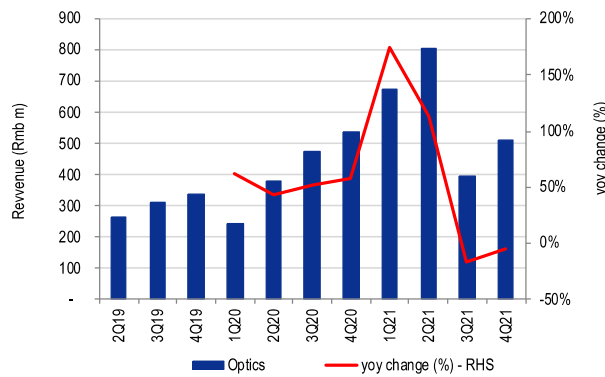
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: MEMS GPM, by quarter (1Q18 to 4Q21)



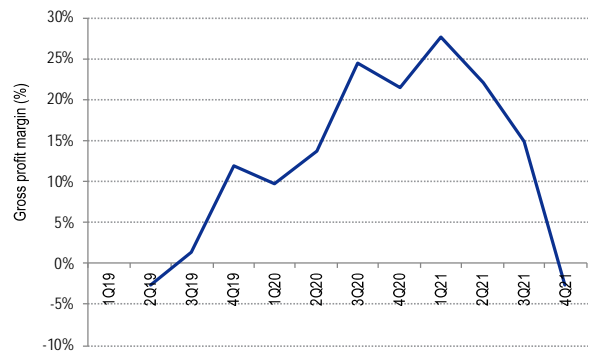
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 9: Optics revenue, by quarter (1Q19 to 4Q2)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 10: Optics GPM, by quarter (1Q19 to 4Q2)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Lower FY22F/23F EPS by 23%/10% ➤

We cut our FY22F/23F EPS by c.23%/10% as we expect its optics business to see sustained margin pressure due to keener competition and low margins in VCM camera modules and WLG lens.

... We cut FY22F/23F revenue forecasts by c.8%/5% due to lower shipments and ASPs for handset lens, and lower volume shipments of acoustic components to Android customers.

... We lower our FY22F/23F GPM by 2.2%/1.2% pts as we believe the margin pressure on its optics business will persist due to competition and a slow product mix improvement.

Figure 11: Earnings revisions


FYE 31 Dec (Rmb m)	Dec-21A	Dec-22F			Dec-23F			Dec-24F		
		Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	17,667	22,565	20,760	-8.0%	23,984	22,785	-5.0%	n.a.	24,436	n.a.
Gross profit	4,365	5,832	4,908	-15.8%	6,237	5,652	-9.4%	n.a.	6,303	n.a.
Gross profit margin	24.7%	25.8%	23.6%	-2.2% pts	26.0%	24.8%	-1.2% pts	n.a.	25.8%	n.a.
Net profit	1,316	1,561	1,209	-22.5%	1,847	1,670	-9.6%	n.a.	1,992	n.a.
EPS (Rmb)	1.09	1.29	1.00	-22.5%	1.53	1.38	-9.6%	n.a.	1.65	n.a.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

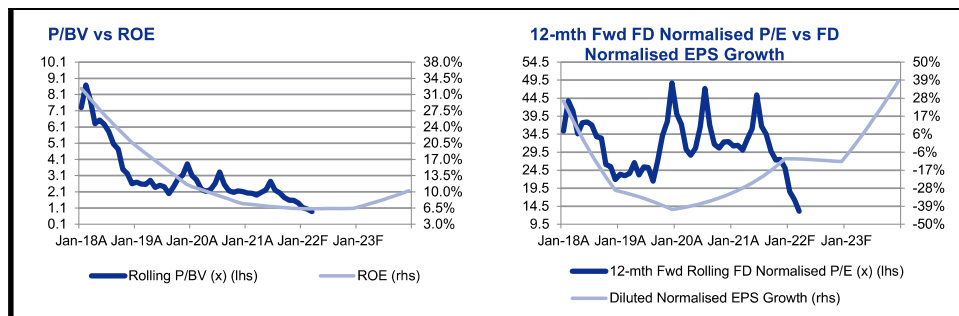
Figure 12: Peer comparison

Company	Bloomberg		Price Target Price		Market Cap (US\$ m)	P/E (x)			P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
	Ticker	Recom.	(local curr)	(local curr)		CY21F	CY22F	CY23F	CY21F	CY22F	CY21F	CY22F	CY21F	CY22F	CY21F	CY22F
Handset components - Acoustic																
AAC Technologies	2018 HK	Reduce	17.64	16.73	2,725	12.8	14.4	10.4	0.8	1.1	6.2%	6.4%	5.5	6.2	1.1%	1.0%
GoerTek Inc	002241 CH	Not Rated	37.70	N/A	20,219	29.5	22.1	18.0	5.3	4.4	15.9%	19.0%	17.9	14.2	0.6%	0.8%
Average						21.1	18.2	14.2	3.0	2.7	11.1%	12.7%	11.7	10.2	0.8%	0.9%
Handset components - Casings / EMS																
BYD Electronic	285 HK	Not Rated	18.28	N/A	5,478	11.3	8.4	6.5	1.4	1.2	12.9%	15.1%	6.4	4.8	0.9%	1.0%
Tongda Group	698 HK	Hold	0.17	0.28	209	3.2	3.2	2.6	0.1	0.1	5.6%	6.5%	2.4	1.9	4.7%	4.7%
Lens Technology	300433 CH	Add	12.03	33.55	9,387	11.2	8.9	7.4	1.2	1.1	11.1%	12.6%	6.1	5.0	2.2%	2.8%
Luxshare Precision	002475 CH	Not Rated	34.39	N/A	38,176	N/A	23.3	18.2	N/A	5.4	N/A	25.2%	N/A	15.4	N/A	0.5%
Shezhen Everwin in Precision	300115 CH	Not Rated	10.23	N/A	1,929	N/A	15.0	7.6	N/A	1.7	N/A	13.2%	N/A	7.4	N/A	1.3%
Nanofilm Technologies	NANO SP	Add	2.66	3.50	1,288	28.2	21.7	17.7	4.1	3.6	14.5%	17.6%	17.8	14.4	0.8%	1.2%
Catcher Technology	2474 TT	Not Rated	148.00	N/A	3,934	N/A	11.5	10.7	N/A	0.7	N/A	6.0%	N/A	0.7	N/A	6.9%
Jabil	JBL US	Not Rated	61.05	N/A	8,760	13.5	8.4	8.0	4.2	3.6	35.3%	43.5%	5.1	4.4	0.5%	0.5%
Average						13.5	12.6	9.8	2.2	2.2	15.9%	17.4%	7.6	6.7	1.8%	2.4%
Handset components - Opticals																
Cowell Holdings	1415 HK	Add	8.14	14.17	868	16.0	10.3	7.5	2.6	2.2	18.7%	23.1%	8.3	6.2	0.9%	1.5%
Q Technology	1478 HK	Add	6.44	10.56	973	7.0	6.9	5.9	1.3	1.1	20.5%	17.6%	3.7	2.9	0.0%	0.0%
Sunny Optical Tech	2382 HK	Add	129.40	219.00	18,140	23.2	19.2	15.0	5.4	4.6	26.3%	26.8%	14.9	11.0	0.9%	1.0%
O-Film Tech	002456 CH	Not Rated	7.26	N/A	3,713	148.2	25.5	20.7	2.1	2.1	4.7%	7.0%	17.1	10.2	0.0%	0.0%
Will Semiconductor	603501 CH	Add	212.38	345.00	29,180	39.1	37.7	30.8	11.7	9.4	34.1%	27.6%	30.2	25.9	0.3%	0.3%
Largan Precision	3008 TT	Not Rated	1,975	N/A	9,247	17.9	14.0	12.7	2.3	1.7	13.2%	12.7%	N/A	5.8	2.9%	3.6%
LG Innotek	011070 KS	Add	406,000	360,000	7,916	11.4	10.9	10.0	2.9	2.3	29.3%	23.5%	5.4	5.3	0.6%	0.6%
SEMCO	009150 KS	Add	164,500	195,000	10,123	11.5	10.5	9.6	1.9	1.6	17.7%	16.6%	6.2	5.2	0.9%	0.9%
Average						34.3	16.9	14.0	3.8	3.1	20.6%	19.4%	12.3	9.1	0.8%	1.0%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG (PRICE AS AT 24 MAR 2022)

		Refinitiv ESG Scores					
ESG in a nutshell		A- ESG Score	A+ ESG Controversies Score	A- ESG Combined Score	B ESG Environment Pillar Score	A ESG Social Pillar Score	A ESG Government Pillar Score
<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>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS

Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	17,140	17,667	20,760	22,785	24,436
Gross Profit	4,227	4,365	4,908	5,652	6,303
Operating EBITDA	3,808	4,028	4,644	5,129	5,573
Depreciation And Amortisation	(2,310)	(2,544)	(3,108)	(3,169)	(3,222)
Operating EBIT	1,498	1,484	1,536	1,960	2,351
Financial Income/(Expense)	(294)	(367)	(450)	(354)	(375)
Pretax Income/(Loss) from Assoc.	0	(1)	0	0	0
Non-Operating Income/(Expense)	443	342	287	301	311
Profit Before Tax (pre-EI)	1,648	1,458	1,373	1,906	2,287
Exceptional Items	0	(46)	0	0	0
Pre-tax Profit	1,648	1,413	1,373	1,906	2,287
Taxation	(147)	(120)	(151)	(210)	(252)
Exceptional Income - post-tax					
Profit After Tax	1,501	1,293	1,222	1,696	2,035
Minority Interests	6	23	(12)	(26)	(44)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	1,507	1,316	1,209	1,670	1,992
Normalised Net Profit	1,501	1,339	1,222	1,696	2,035
Fully Diluted Normalised Profit	1,507	1,362	1,209	1,670	1,992

Cash Flow

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	3,808	4,028	4,644	5,129	5,573
Cash Flow from Inv. & Assoc.	0	1	0	0	0
Change In Working Capital	(527)	(1,593)	(966)	(646)	(528)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	867	663	738	655	686
Net Interest (Paid)/Received	(294)	(367)	(450)	(354)	(375)
Tax Paid	(262)	(120)	(151)	(210)	(252)
Cashflow From Operations	3,593	2,611	3,814	4,574	5,105
Capex	(2,088)	(3,738)	(3,500)	(3,500)	(3,500)
Disposals Of FAs/subsidiaries	0	0	0	0	0
Acq. Of Subsidiaries/investments	(2,163)	(749)	0	0	0
Other Investing Cashflow	844	49	34	28	33
Cash Flow From Investing	(3,407)	(4,439)	(3,466)	(3,472)	(3,467)
Debt Raised/(repaid)	356	(446)	223	(112)	56
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(107)	(363)	(242)	(222)	(306)
Preferred Dividends					
Other Financing Cashflow	2,333	(415)	(485)	(382)	(408)
Cash Flow From Financing	2,582	(1,224)	(503)	(716)	(659)
Total Cash Generated	2,768	(3,052)	(155)	387	979
Free Cashflow To Equity	542	(2,274)	571	991	1,694
Free Cashflow To Firm	538	(1,412)	833	1,485	2,046

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	7,632	6,054	4,977	5,826	6,574
Total Debtors	5,182	6,018	7,071	7,760	8,322
Inventories	3,995	5,695	6,787	7,336	7,763
Total Other Current Assets	40	187	18	18	18
Total Current Assets	16,850	17,955	18,852	20,939	22,677
Fixed Assets	18,592	19,987	20,424	20,800	21,122
Total Investments	0	0	0	0	0
Intangible Assets	538	604	604	604	604
Total Other Non-Current Assets	2,932	3,476	3,447	3,447	3,447
Total Non-current Assets	22,062	24,067	24,476	24,851	25,174
Short-term Debt	3,349	2,902	3,125	3,014	3,070
Current Portion of Long-Term Debt					
Total Creditors	5,205	6,148	7,326	7,918	8,380
Other Current Liabilities	827	618	468	504	570
Total Current Liabilities	9,380	9,668	10,919	11,435	12,019
Total Long-term Debt	2,543	330	5,979	6,441	6,210
Hybrid Debt - Debt Component	2,512	6,573	6,573	6,573	6,573
Total Other Non-Current Liabilities	2,607	2,909	3,295	3,548	3,755
Total Non-current Liabilities	7,662	9,812	15,847	16,563	16,538
Total Provisions	49	41	41	41	41
Total Liabilities	17,090	19,520	26,807	28,039	28,598
Shareholders' Equity	21,159	21,811	15,760	16,915	18,333
Minority Interests	662	691	760	837	920
Total Equity	21,821	22,502	16,521	17,752	19,253

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	(4.2%)	3.1%	17.5%	9.8%	7.2%
Operating EBITDA Growth	(17.2%)	5.8%	15.3%	10.5%	8.7%
Operating EBITDA Margin	22.2%	22.8%	22.4%	22.5%	22.8%
Net Cash Per Share (Rmb)	(0.64)	(3.10)	(8.85)	(8.44)	(7.68)
BVPS (Rmb)	17.51	18.05	13.04	14.00	15.17
Gross Interest Cover	4.25	3.57	3.17	5.13	5.76
Effective Tax Rate	8.9%	8.5%	11.0%	11.0%	11.0%
Net Dividend Payout Ratio	24.1%	17.7%	18.3%	18.3%	18.3%
Accounts Receivables Days	114.8	115.6	115.0	118.7	120.4
Inventory Days	108.5	132.9	143.7	150.4	152.4
Accounts Payables Days	151.3	155.7	155.1	162.4	164.5
ROIC (%)	4.92%	4.41%	3.94%	4.81%	5.59%
ROCE (%)	5.36%	4.89%	4.86%	6.02%	6.91%
Return On Average Assets	4.71%	3.99%	3.65%	4.40%	4.95%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Acoustics revenue growth (yoy change %)	-7.4%	13.5%	8.1%	8.2%	8.2%
Optics revenue growth (yoy change %)	52.7%	46.2%	0.4%	51.3%	25.3%
Acoustics GPM (%)	27.9%	29.7%	28.0%	30.0%	30.0%
Optics (GPM %)	18.8%	17.2%	13.0%	18.0%	24.0%

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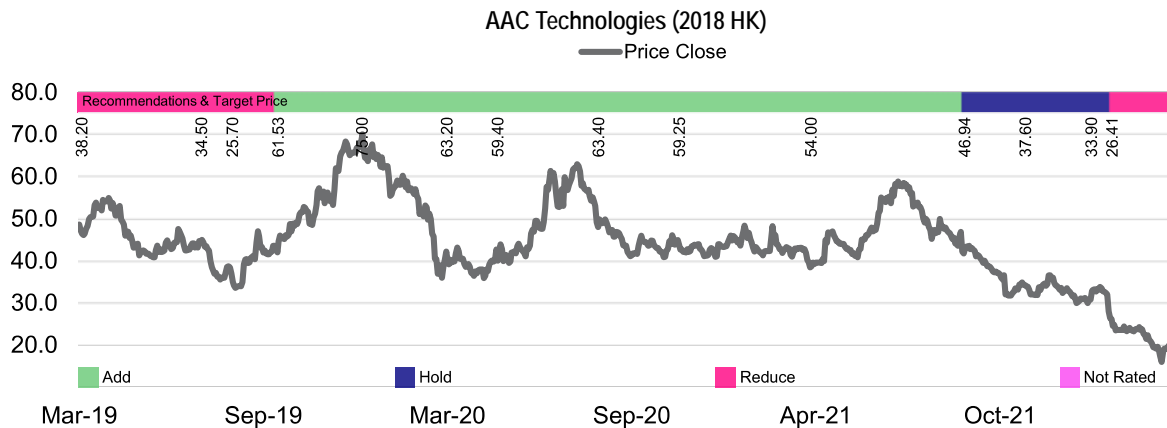
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%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

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework	
Stock Ratings	Definition:
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.
Country Ratings	Definition:
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.

