

Hong Kong

**ADD** (no change)

Consensus ratings\*: Buy 1 Hold 1 Sell 0

Current price:	HK\$1.35
Target price:	HK\$2.28 ▲
Previous target:	HK\$2.16
Up/downside:	68.9%
CGI / Consensus:	67.6%
Reuters:	3336.HK
Bloomberg:	3336.HK
Market cap:	US\$207.0m HK\$1,620m
Average daily turnover:	US\$0.02m HK\$0.13m
Current shares o/s:	1,200m
Free float:	68.3%

\*Source: Bloomberg

**Key changes in this note**

- Net profit forecasts for 2022F and 2023F lowered by 3.9% and 18.2%, respectively.



Price performance	1M	3M	12M
Absolute (%)	-12.3	14.4	-40
Relative (%)	-5.4	19.7	-15.8

Major shareholders	% held
Chen Family	28.3

**Analyst**

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# Ju Teng

## Margin improvement to drive 2022 performance

- Ju Teng reported its 2021 results earlier, which show a recovery high in 2H21 vs. 1H21, but the magnitude was lower than expected.
- The Company's 2021 performance was hit by an unfavourable product mix, Rmb appreciation and higher logistics costs. But the impact of the ASP hike is expected to emerge in 2022.
- Overall shipments may see weakness, but a pick-up in the commercial segment is expected to drive shipments of metal casings. The high requirements of Windows 11 are expected to drive replacement demand.
- Ju Teng's soft 2021 net profit figures have been priced in, in our view.
- We maintain our ADD rating with a higher target price of HK\$2.28. The upward revision is due mainly to a higher book value (our target P/B ratio remains unchanged at 0.4x).

### 2021 results highlights: 2H21 recovered but not as much as expected

Ju Teng's revenue rose 12.5% yoy, from HK\$10,029.5m in 2020 to HK\$11,283.0m in 2021, which was in line with our expectations. The Company's revenue growth was driven by strong growth in unit shipments of plastic casings. The Company's gross profit decreased 15.5% yoy, from HK\$1,434.7m in 2020 to HK\$1,212.7m in 2021. Its gross profit margin contracted from 14.3% in 2020 to 10.7% in 2021. However, Ju Teng reported a 24.4% yoy increase in net profit, from HK\$130.5m in 2020 to HK\$162.4m in 2021. Ju Teng reported a meaningful high recovery in net profit in 2H21 vs. 1H21. But the recovery was not as significant as expected, as the Company was unable to pass on the cost hikes in a short period of time. The Company's 2021 performance was hit by an unfavourable product mix, Rmb appreciation and higher logistics costs. Ju Teng declared a final dividend of HK\$0.08 for 2021 vs. HK\$0.10 for 2020. Ju Teng's turnover growth in 2021 was driven mainly by strong unit shipments of plastic casings.

### 2022 numbers expected to be stable despite increasing uncertainty

As we discussed in our latest monthly hardware data analysis, the Jan-Feb 22 turnover figures for the PC supply chain, including PC brands, ODMs and PCBs, delivered mixed signals, with Gigabyte and Acer reporting faster yoy turnover growth in Jan-Feb 22 vs. Dec 21, but MSI, Asustek and ODMs reported slower yoy turnover. There is concern about PC shipments in 2022 after solid growth in 2021 and 2020. The consumer PC side may see weakness, but the commercial PC side may continue to grow. Overall shipments may see weakness, but the pick-up in the commercial segment is expected to drive shipments of metal casings. The high requirements of Windows 11 are expected to drive replacement demand. Ju Teng's 2022 performance is expected to be driven by: a) the impact of ASP hikes, b) better cost control, and c) a better product mix.

### Net profit forecast adjusted but target price remains unchanged

We made an upward earnings adjustment after the 2021 results announcement. We raised our net profit forecast for 2022F by 4%, as we factored in higher turnover figures. We believe that Ju Teng's operating performance will return to normal and that industry news flow on the notebook supply chain will be driven by the adoption of Windows 11. We maintain our ADD rating with a higher target price of HK\$2.28. The upward revision is mainly due to higher book value (our target P/B ratio remains unchanged at 0.4x).

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (HK\$m)	10,030	11,283	11,592	12,308	13,103
Operating EBITDA (HK\$m)	1,193	1,137	1,444	1,710	1,984
Net Profit (HK\$m)	130.5	162.4	244.8	352.4	462.3
Core EPS (HK\$)	0.11	0.14	0.20	0.29	0.39
Core EPS Growth	(11.8%)	22.7%	50.7%	43.9%	31.2%
FD Core P/E (x)	12.24	9.98	6.62	4.60	3.50
DPS (HK\$)	0.100	0.080	0.100	0.100	0.100
Dividend Yield	7.41%	5.93%	7.41%	7.41%	7.41%
EV/EBITDA (x)	5.79	6.44	5.07	4.31	3.69
P/FCFE (x)	NA	8.67	3.97	2.65	1.97
Net Gearing	43.4%	48.0%	46.4%	44.7%	41.4%
P/BV (x)	0.25	0.24	0.23	0.22	0.21
ROE	2.11%	2.44%	3.54%	4.96%	6.25%
% Change In Core EPS Estimates			3.9%	18.2%	
CGI/consensus EPS (x)			1.02	1.17	

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

**Figure 1: Change in assumptions**

	FY2022F			FY2023F		
	Old	New	% change	Old	New	% change
<b>Turnover (HKDm)</b>						
Plastic casing	3,860.1	4,837.1	5%	3,860.1	4,837.1	5%
Metal casing	5,391.6	5,930.8	9%	5,391.6	6,523.9	19%
Other Casing	568.5	823.7	7%	568.5	947.2	7%
Total	9,820.2	11,591.5	7%	9,820.2	12,308.2	13%
<b>YoY Change (%)</b>						
Plastic casing	0	(5.0)		0	0	
Metal casing	5.0	10.0		5.0	10.0	
Other Casing	15.0	3.0		15.0	15.0	
Total	3.5	2.7		3.5	6.2	
<b>Gross margin (%)</b>						
			ppt			ppt
Plastic casing	7.2	5.9	(1.4)	7.2	6.9	(1.4)
Metal casing	18.4	17.7	(1.2)	18.4	18.7	(1.2)
Other Casing	18.7	16.2	(1.5)	18.7	16.2	(1.5)
Net margin (%)	0	0	0	0	0	0
Net margin (%)	3.7	2.1	(0.1)	3.7	2.9	0.1
<b>Cost (HKDm)</b>						
S,G&A	(821.5)	(1,000.3)	5%	(821.5)	(1,046.0)	10%
Financial Expenses	(158.3)	(65.1)	-46%	(158.3)	(68.1)	-44%
<b>YoY Change (%)</b>						
S,G&A	3.0	2.0		3.0	4.6	
Financial Expenses	2.7	2.0		2.7	4.6	
<b>Volume shipment (m units)</b>						
Plastic casing	33.3	41.8	5.4%	33.3	41.8	5.4%
Metals casing	25.7	28.3	8.6%	25.7	31.1	19.4%
<b>Volume shipment YoY Change (%)</b>						
Plastic casing	0	(5.0)		0	0	
Metals casing	5.0	10.0		5.0	10.0	
<b>ASP (HK\$)</b>						
Plastic casing	115.8	115.8	0.0%	115.8	115.8	0.0%
Metals casing	209.8	209.8	0.0%	209.8	209.8	0.0%

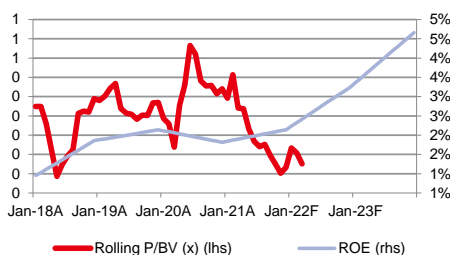
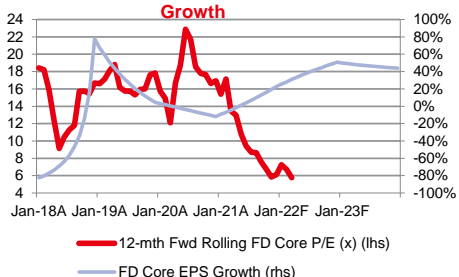
SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

**Figure 2: Assumptions**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022F	2023F	2024F
<b>Turnover (HKDm)</b>														
Plastic casing	7,411	7,361	6,772	6,434	4,915	3,696	3,336	3,669	3,596	4,315	5,092	4,837	4,837	4,837
Metal casing	823	1,840	2,116	2,645	3,439	3,601	3,773	4,890	4,890	5,135	5,392	5,931	6,524	7,176
Other Casing	0	0	368	492	582	705	643	513	430	580	800	824	947	1,089
Total	8,235	9,201	9,257	9,571	8,936	8,002	7,752	9,072	8,916	10,030	11,283	11,592	12,308	13,103
<b>YoY Change (%)</b>														
Plastic casing	3.4	(0.7)	(8.0)	(5.0)	(23.6)	(24.8)	(9.8)	10.0	(2.0)	20.0	18.0	(5.0)	0	0
Metal casing				25.0	30.0	4.7	4.8	29.6	0	5.0	5.0	10.0	10.0	10.0
Other Casing						21.1	(8.9)	(20.3)	(16.1)	34.9	38.0	3.0	15.0	15.0
Total	14.9	11.7	0.6	3.4	(6.6)	(10.5)	(3.1)	17.0	(1.7)	12.5	12.5	2.7	6.2	6.5
<b>Gross margin (%)</b>														
Plastic casing	10.0	14.0	17.0	15.0	15.5	9.1	6.7	4.2	6.2	7.8	4.4	5.9	6.9	7.9
Metal casing	15.0	20.0	28.2	26.2	28.0	22.9	19.6	17.2	17.4	19.4	16.2	17.7	18.7	19.7
Other Casing	0	0	34.0	30.0	31.0	25.7	21.7	16.7	16.7	17.7	14.7	16.2	16.2	16.2
Net margin (%)	3.1	6.5	8.2	8.0	9.8	6.3	1.0	1.5	1.6	1.3	1.4	2.1	2.9	3.5
<b>Cost (HKDm)</b>														
S,G&A	(576)	(624)	(683)	(790)	(759)	(727)	(811)	(837)	(804)	(853)	(980)	(1,000)	(1,046)	(1,115)
Financial Expenses	(36)	(45)	(62)	(62)	(90)	(90)	(94)	(109)	(137)	(92)	(64)	(65)	(68)	(71)
<b>YoY Change (%)</b>														
S,G&A	20.1	8.4	9.3	15.8	(4.0)	(4.2)	11.5	3.2	(4.0)	6.1	14.9	2.0	4.6	6.6
Financial Expenses	(26.8)	26.9	37.4	(0.2)	45.8	0.1	4.5	15.2	26.2	(32.7)	(30.9)	2.0	4.6	4.8
<b>Volume shipment (m units)</b>														
Plastic casing		51.00	46.92	44.57	37.89	30.31	28.79	31.67	31.04	37.25	43.95	41.76	41.76	41.76
Metals casing			10.35	12.94	16.82	18.50	19.43	23.31	23.31	24.48	25.70	28.27	31.10	34.21
<b>Volume shipment YoY Change (%)</b>														
Plastic casing			(8.0)	(5.0)	(15.0)	(20.0)	(5.0)	10.0	(2.0)	20.0	18.0	(5.0)	0	0
Metals casing				25.0	30.0	10.0	5.0	20.0	0	5.0	5.0	10.0	10.0	10.0
<b>ASP (HK\$)</b>														
Plastic casing			144.3	144.3	129.7	121.9	115.8	115.8	115.8	115.8	115.8	115.8	115.8	115.8
Metals casing			204.5	204.5	204.5	194.6	194.2	209.8	209.8	209.8	209.8	209.8	209.8	209.8
<b>ASP YoY Change (%)</b>														
Plastic casing				(10.1)	(6.0)	(5.0)	0	0	0	0	0	0	0	0
Metals casing				0	(4.8)	(0.2)	8.0	0	0	0	0	0	0	0
<b>CAPEX (HKDm)</b>														
CAPEX (HKDm)	(1,379)	(1,275)	(1,720)	(2,426)	(1,407)	(1,326)	(1,020)	(907)	(711)	(1,145)	(1,075)	(1,153)	(1,237)	(1,327)
Net Gearing (%)	41.5	54.2	51.9	48.2	51.4	45.9	40.3	49.2	44.8	55.1	59.5	57.5	55.4	51.4

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

## BY THE NUMBERS

**P/BV vs ROE**

**12-mth Fwd FD Core P/E vs FD Core EPS Growth**


### Profit & Loss

(HK\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>Total Net Revenues</b>	<b>10,030</b>	<b>11,283</b>	<b>11,592</b>	<b>12,308</b>	<b>13,103</b>
<b>Gross Profit</b>	<b>2,366</b>	<b>2,266</b>	<b>2,597</b>	<b>2,917</b>	<b>3,271</b>
<b>Operating EBITDA</b>	<b>1,193</b>	<b>1,137</b>	<b>1,444</b>	<b>1,710</b>	<b>1,984</b>
Depreciation And Amortisation	(931)	(1,053)	(1,130)	(1,213)	(1,301)
<b>Operating EBIT</b>	<b>262</b>	<b>84</b>	<b>313</b>	<b>497</b>	<b>682</b>
Financial Income/(Expense)	(83)	(53)	(53)	(52)	(51)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	107	170	179	188	198
<b>Profit Before Tax (pre-EI)</b>	<b>286</b>	<b>200</b>	<b>439</b>	<b>633</b>	<b>830</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>286</b>	<b>200</b>	<b>439</b>	<b>633</b>	<b>830</b>
Taxation	(129)	(143)	(154)	(221)	(291)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>157</b>	<b>58</b>	<b>286</b>	<b>411</b>	<b>539</b>
Minority Interests	(27)	105	(41)	(59)	(77)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>131</b>	<b>162</b>	<b>245</b>	<b>352</b>	<b>462</b>
Recurring Net Profit	131	162	245	352	462
<b>Fully Diluted Recurring Net Profit</b>	<b>131</b>	<b>162</b>	<b>245</b>	<b>352</b>	<b>462</b>

### Cash Flow

(HK\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>EBITDA</b>	<b>1,193</b>	<b>1,137</b>	<b>1,444</b>	<b>1,710</b>	<b>1,984</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(633)	(480)	(99)	(229)	(254)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	122	170	179	188	198
Net Interest (Paid)/Received	(92)	(64)	(65)	(68)	(71)
Tax Paid					
<b>Cashflow From Operations</b>	<b>589</b>	<b>764</b>	<b>1,459</b>	<b>1,600</b>	<b>1,856</b>
Capex	(1,145)	(1,075)	(1,153)	(1,237)	(1,327)
Disposals Of FAs/subsidiaries	(273)	0	0	0	0
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	71	139	6	23	41
<b>Cash Flow From Investing</b>	<b>(1,348)</b>	<b>(935)</b>	<b>(1,147)</b>	<b>(1,214)</b>	<b>(1,286)</b>
Debt Raised/(repaid)	737	359	97	226	250
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased					
Dividends Paid	(117)	(120)	(96)	(120)	(120)
Preferred Dividends					
Other Financing Cashflow	(139)	(156)	(168)	(251)	(333)
<b>Cash Flow From Financing</b>	<b>481</b>	<b>83</b>	<b>(167)</b>	<b>(145)</b>	<b>(203)</b>
Total Cash Generated	(278)	(89)	144	242	367
<b>Free Cashflow To Equity</b>	<b>(22)</b>	<b>187</b>	<b>408</b>	<b>612</b>	<b>821</b>
<b>Free Cashflow To Firm</b>	<b>(666)</b>	<b>(108)</b>	<b>376</b>	<b>454</b>	<b>642</b>

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

**BY THE NUMBERS... cont'd**
**Balance Sheet**

(HK\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	929	785	929	1,170	1,538
Total Debtors	2,663	2,984	3,066	3,255	3,465
Inventories	3,976	4,297	4,415	4,688	4,990
Total Other Current Assets	38	78	78	78	78
<b>Total Current Assets</b>	<b>7,605</b>	<b>8,144</b>	<b>8,488</b>	<b>9,192</b>	<b>10,072</b>
Fixed Assets	7,858	8,170	8,192	8,217	8,243
Total Investments	0	0	0	0	0
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	992	870	908	948	990
<b>Total Non-current Assets</b>	<b>8,851</b>	<b>9,040</b>	<b>9,101</b>	<b>9,165</b>	<b>9,233</b>
Short-term Debt	3,062	3,555	3,652	3,878	4,128
Current Portion of Long-Term Debt					
Total Creditors	3,506	3,670	3,770	4,004	4,262
Other Current Liabilities	130	70	77	84	93
<b>Total Current Liabilities</b>	<b>6,698</b>	<b>7,294</b>	<b>7,499</b>	<b>7,965</b>	<b>8,482</b>
Total Long-term Debt	1,431	1,298	1,298	1,298	1,298
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	48	48	52	56	60
<b>Total Non-current Liabilities</b>	<b>1,479</b>	<b>1,346</b>	<b>1,350</b>	<b>1,354</b>	<b>1,358</b>
Total Provisions	62	60	66	73	80
<b>Total Liabilities</b>	<b>8,238</b>	<b>8,701</b>	<b>8,915</b>	<b>9,392</b>	<b>9,921</b>
Shareholders' Equity	6,471	6,842	6,991	7,223	7,566
Minority Interests	1,747	1,642	1,683	1,741	1,818
<b>Total Equity</b>	<b>8,218</b>	<b>8,484</b>	<b>8,673</b>	<b>8,965</b>	<b>9,384</b>

**Key Ratios**

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	12.5%	12.5%	2.7%	6.2%	6.5%
Operating EBITDA Growth	(10.4%)	(4.7%)	26.9%	18.4%	16.0%
Operating EBITDA Margin	11.9%	10.1%	12.5%	13.9%	15.1%
Net Cash Per Share (HK\$)	(2.97)	(3.39)	(3.35)	(3.34)	(3.24)
BVPS (HK\$)	5.39	5.70	5.83	6.02	6.30
Gross Interest Cover	2.83	1.31	4.81	7.30	9.56
Effective Tax Rate	45.0%	71.3%	35.0%	35.0%	35.0%
Net Dividend Payout Ratio	91.9%	59.1%	49.0%	34.1%	26.0%
Accounts Receivables Days	82.57	91.34	95.25	93.73	93.87
Inventory Days	170.1	167.4	176.8	176.9	180.1
Accounts Payables Days	146.5	145.2	151.0	151.1	153.8
ROIC (%)	2.57%	0.70%	2.48%	3.88%	5.21%
ROCE (%)	2.25%	0.72%	2.41%	3.67%	4.83%
Return On Average Assets	1.57%	0.66%	1.95%	2.58%	3.13%

**Key Drivers**

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Plastic casing (m units)	37.2	44.0	41.8	41.8	41.8
Metals casing (m units)	24.5	25.7	28.3	31.1	34.2
Plastic casing ASP (HK\$)	115.8	115.8	115.8	115.8	115.8
Metals casing ASP (HK\$)	209.8	209.8	209.8	209.8	209.8

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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**Ju Teng (3336 HK)**

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### Stock Ratings Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

*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.*

### 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.

### Analyst Certification

The analyst who is primarily responsible for the content of this report, in whole or in part, certifies that with respect to the securities or issuer 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 the 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 securities 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 securities covered in this research report three 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.