

## Hong Kong

**NON RATED**

Current price:	HK\$2.22
Consensus Tgt Price:	HK\$3.91
Up/downside:	N/A
Reuters:	0732.HK
Bloomberg:	732 HK
Market cap:	US\$931.5m HK\$7,302m
Average daily turnover:	US\$5.46m HK\$42.59m
Current shares o/s:	3,289m
Free float:	47.9%



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	-0.5	-32.5	65.7
Relative (%)	-5.8	-25.6	90.3

<b>Major shareholders</b>	% held
Mr Lam Wai Wah	46.1
Rays Capital Partners	6.0

# Truly International

## 1Q performance remained resilient

- Truly reported its Mar 22 revenue, which in our view, indicates that its operations remain resilient despite the challenging environment, especially given the COVID-19 outbreak.
- Lower end market demand for smartphones dragged down overall growth for Truly, but the Company should benefit from changes in the competitive landscape of the smartphone display segment.
- Although Truly did not release concrete guidance for 2022, we expect it to deliver positive yoy growth, as auto displays will remain a growth driver.
- We believe the market has reset expectations about Truly, but concern about softer performance of the smartphone components segment seems to be overdone.
- The auto electronics segment should remain the growth driver for the Company in 2022F and beyond. Within the sector, Truly is trading at a lower valuation than its peers.

## Mar 22 performance remained resilient

Truly reported its Mar 22 revenue figures, which decreased 1.5% yoy, from HK\$1,983m in Mar 21 to HK\$1,954m in Mar 22. We believe that Truly's Mar 22 revenue figures indicate that its operations remain resilient, especially given the softer-than-expected handset shipments and the COVID-19 outbreak (Shenzhen lockdown in Mar). Management managed to solve the logistics bottleneck between HK and Shenzhen in Mar 22 due to the COVID-19 outbreak. The extra logistics costs incurred, based on our understanding, are manageable. The Company's 1Q22 revenue increased 0.3% yoy, from HK\$5,326m in 1Q 21 to HK\$5,341m in 1Q22.

## Smartphone components segment expected to be soft in 2022 but no need to panic

Given softer-than-expected handset shipments in China, the market has concerns about Truly's smartphone components segment in 2022. We don't believe that Truly's smartphone components segment will drag down overall performance that much in 2022. Shipments of the Company's compact camera modules and fingerprint module products may continue to be soft, but Truly will benefit from a change in the competitive landscape of the smartphone display segment. Truly will also focus more on the profitability of the smartphone components segment.

## Expectations have been reset

Shares of Truly were under pressure after the 2021 results announcement, given the broad-based market correction, and the market has concerns about the outlook for the smartphone industry. After the 4Q21 results announcement and recent industry news flow, the market reset its expectations about Truly. We believe the market has been too cautious about Truly because of concerns about its smartphone components segment. We think the performance of the Company's auto electronics segment is more resilient than the handset segment and that the auto electronics segment will remain the growth driver for the Company in 2022F and beyond. In this sector, Truly is trading at a lower valuation than BOEV [0710.HK]. Truly declared a total dividend per share of HK\$0.10 (translating to a payout ratio of 24% for 2021). Given the improvement in its operating performance, we believe that the Company will raise its dividend payout ratio of 30–40% in the future.

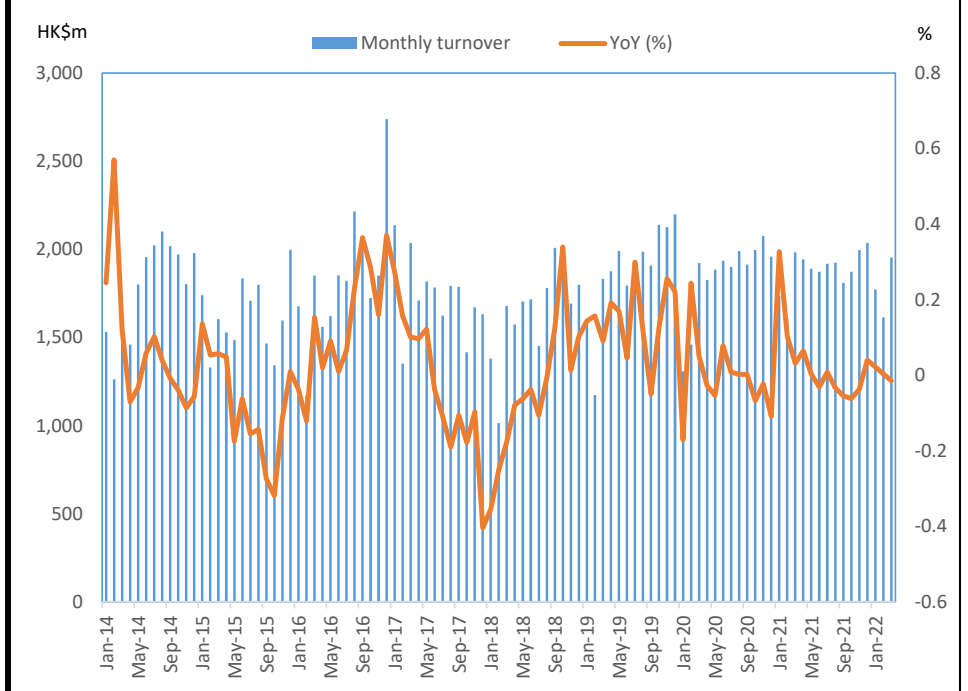
Key Financials (in HKD m)	2020	2021	2022E	2023E
Revenue	22,171.7	22,543.5	24,893.7	26,153.0
Gross Profit	2,048.8	2,613.0	3,061.9	3,347.6
Gross Margin %	9.2	11.6	12.3	12.8
Net Profit	502.3	1,378.0	1,546.3	1,840.5
Net Margin %	7.0	6.1	6.2	7.0
EPS (Basic)	0.15	0.42	0.47	0.56
ROE (%)	5.8	13.3	12.3	13.7
Dividend Yield (%)	-	4.5	6.3	7.7
PER (x)	14.5	5.3	4.7	4.0
PBR (x)	0.8	0.6	0.6	0.5

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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Figure 1: Truly monthly turnover



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

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Distribution of stock ratings and investment banking clients for quarter ended on 31 Dec 2021		
619 companies under coverage for quarter ended on 31 Dec 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 )**

**Truly International (732 HK)**



## RECOMMENDATION FRAMEWORK

### 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.

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