

# AAC Technologies (2018 HK)

## Positives Are Priced In

### Lift TP to HKD115 but D/G to HOLD

AAC has proven that it can succeed in multiple components. But trading at peak valuation on 2018F base, we believe most of the positives are already in the price. Near-term upside can be capped due to downside risk to iPhone shipments, and new product contributions will need at least 1-2 years to become significant. D/G to HOLD after 50%+ YTD run but lift our P/E based TP to HKD115 as we revised up 2018 estimates.

### Doing excellently in automation

Having attended the site tour on 20 Jul, we are impressed by AAC's automation and in-house tooling. 85% of its acoustic production process is already automated with 95%+ yield, and many tools and processes are designed in-house. AAC is also aggressive in in-house molding for all products, from acoustic components to lenses. Automation capability should be the key reason for AAC's superior margins over competitors.

### Next catalyst is yet to be proven

We expect AAC to grow its sales and earnings by 29% and 30% YoY in 2017F, driven by feature improvement for acoustic components (waterproof, stereo sound), haptics engine upgrade for iPhone 8, and new customers for RF casing. But we believe 2018F growth, especially its RF casing, will slow because 1) its metal casing base is already high and 2) its 3D glass casing has just started. AAC's lens business is growing rapidly and the firm expects to double its capacity to 10m/mth before end-2017, but we expect sales contribution to be <5% in 2018F. Largan (3008 TT, BUY, TP: TWD5,400) could also possibly put pressure on everyone's lenses ASP once its new capacity comes online in 4Q17.

### Near-term momentum could be capped

Our 2Q17F sales, gross margin, and net profit are all at the low-end of consensus because of 1) pricing pressure for iPhone and 2) unfavourable product mix (more RF casing). Our 2017/18F sales and earnings are 3-5% below consensus even though we are already higher than 2017F guidance. Should iPhone production figures become worse than expected due to yield issue, earnings risk is on the downside.

FYE Dec (CNY m)	FY15A	FY16A	FY17E	FY18E	FY19E
Revenue	11,739	15,507	19,986	23,312	25,890
EBITDA	3,921	5,476	7,217	8,486	9,432
Core net profit	3,107	4,025	5,243	6,225	7,015
Core EPS (CNY)	2.53	3.28	4.27	5.07	5.71
Core EPS growth (%)	33.7	29.6	30.2	18.7	12.7
Net DPS (CNY)	0.77	1.07	1.39	1.66	1.87
Core P/E (x)	36.4	28.1	21.6	18.2	16.1
P/BV (x)	10.0	8.0	6.4	5.2	4.2
Net dividend yield (%)	0.8	1.2	1.5	1.8	2.0
ROAE (%)	30.4	31.6	32.8	31.4	28.9
ROAA (%)	20.9	19.8	20.1	20.3	19.5
EV/EBITDA (x)	13.2	14.2	15.7	13.1	11.5
Net gearing (%) (incl perps)	net cash	1.6	net cash	net cash	net cash
Consensus net profit	-	-	5,359	6,530	7,393
MKE vs. Consensus (%)	-	-	(2.2)	(4.7)	(5.1)

Stefan Chang, CFA  
 stefanchang@kimeng.com.hk  
 (852) 2268 0675

## HOLD

[Prior:BUY]

Share Price	HKD 106.50
12m Price Target	HKD 115.00 (+8%)
Previous Price Target	HKD 110.00

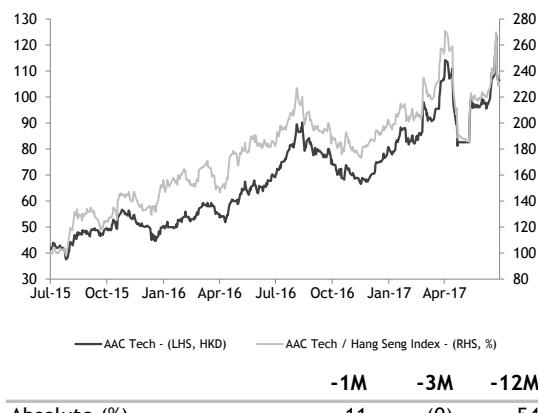
### Statistics

52w high/low (HKD)	123.60/66.60
3m avg turnover (USDm)	97.8
Free float (%)	54.5
Issued shares (m)	1,228
Market capitalisation	HKD130.7B USD16.7B

### Major shareholders:

WU CHUN YUAN /AAC/	21.4%
PAN ZHENG MIN	9.8%
PAN ZHENG MIN BENJAMIN FAMILY	9.1%

### Price Performance



Source: FactSet

## 1. MKE vs consensus

We fine-tune our 2017/18F earnings and our 2017/18F sales and earnings are 3-5% below Street. Key reason for the 2017F divergence, in our view, is the different new iPhone production assumptions.

In our May report, we highlighted that 2H17 new iPhone production, including iPhone 7s, 7s+, and 8 may only total 80-85m, and our latest check suggests the risk remains on the downside given several production bottlenecks, including application processors, casing, 3D sensor, and even wireless charging. However, we believe consensus expectations for new iPhone production in 2H17F remains at 90-95m. AAC still has nearly 50% sales exposure to Apple (AAPL US, NR), by our estimates.

Some delayed demand for new iPhone (especially iPhone 8) should help AAC's 1H18 figures come in better than seasonal. We expect 1Q18F sales to fall only 18% QoQ, much better than -34%/-27% in 1Q16/1Q17. On full year basis, however, we are not confident about 4Q18 iPhone demand after the "super cycle" in 4Q17 to 3Q18. We also believe AAC's RF casing business growth should slow down because the 2017F base will be already high. Lens growth is significant (more than double YoY in 2017/18F), but remains too small (<5% of 2018F sales) to move the needle.

Fig 1: MKE's earnings revision for AAC

	CNYm	2Q17F			3Q17F			2017F			2018F		
		New	Prev	Var (%)	New	Prev	Var (%)	New	Prev	Var (%)	New	Prev	Var (%)
Sales	CNYm	4,392	4,463	-1.6	5,048	5,136	-1.7	19,986	19,918	0.3	23,312	23,170	0.6
Gross profit	CNYm	1,800	1,849	-2.6	2,087	2,137	-2.3	8,280	8,291	-0.1	9,691	9,523	1.8
Operating profit	CNYm	1,245	1,295	-3.8	1,485	1,525	-2.6	5,861	5,889	-0.5	6,895	6,745	2.2
net profit	CNYm	1,124	1,169	-3.8	1,341	1,376	-2.5	5,243	5,268	-0.5	6,225	6,090	2.2
EPS	CNY	0.92	0.95	-3.8	1.09	1.12	-2.5	4.27	4.29	-0.5	5.07	4.96	2.2
Gross margins	%	41.0	41.4	-0.4	41.4	41.6	-0.3	41.4	41.6	-0.2	41.6	41.1	0.5
Operating margins	%	28.4	29.0	-0.7	29.4	29.7	-0.3	29.3	29.6	-0.2	29.6	29.1	0.5
Net margins	%	25.6	26.2	-0.6	26.6	26.8	-0.2	26.2	26.4	-0.2	26.7	26.3	0.4

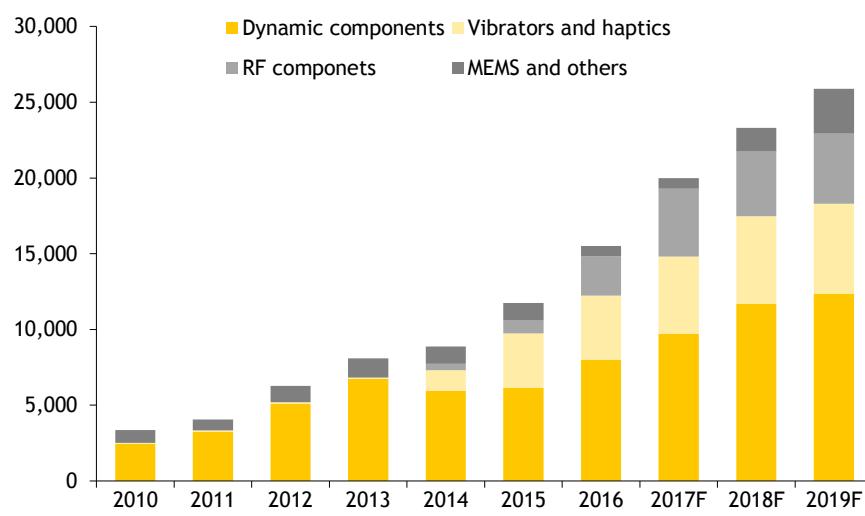
Source: Maybank Kim Eng

Fig 2: MKE's earnings estimates for AAC vs consensus

	CNYm	2Q17F			3Q17F			2017F			2018F		
		MKE	Street	Var (%)	MKE	Street	Var (%)	MKE	Street	Var (%)	MKE	Street	Var (%)
Sales	CNYm	4,392	4,507	-2.6	5,048	5,420	-6.9	19,986	20,648	-3.2	23,312	24,437	-4.6
Gross profit	CNYm	1,800	1,875	-4.0	2,087	2,268	-8.0	8,280	8,603	-3.8	9,691	10,182	-4.8
Operating profit	CNYm	1,245	1,299	-4.1	1,485	1,563	-5.0	5,861	6,189	-5.3	6,895	7,348	-6.2
Net profit	CNYm	1,124	1,149	-2.1	1,341	1,404	-4.5	5,243	5,413	-3.1	6,225	6,413	-2.9
EPS	CNY	0.92	0.94	-2.1	1.09	1.14	-4.5	4.27	4.41	-3.1	5.07	5.22	-2.9
Gross margins	%	41.0	41.6	-0.6	41.4	41.9	-0.5	41.4	41.7	-0.2	41.6	41.7	-0.1
Operating margins	%	28.4	28.8	-0.5	29.4	28.8	0.6	29.3	30.0	-0.6	29.6	30.1	-0.5
Net margins	%	25.6	25.5	0.1	26.6	25.9	0.7	26.2	26.2	0.0	26.7	26.2	0.5

Source: Bloomberg, Maybank Kim Eng

Fig 3: MKE's sales breakdown forecast for AAC (HKDm)

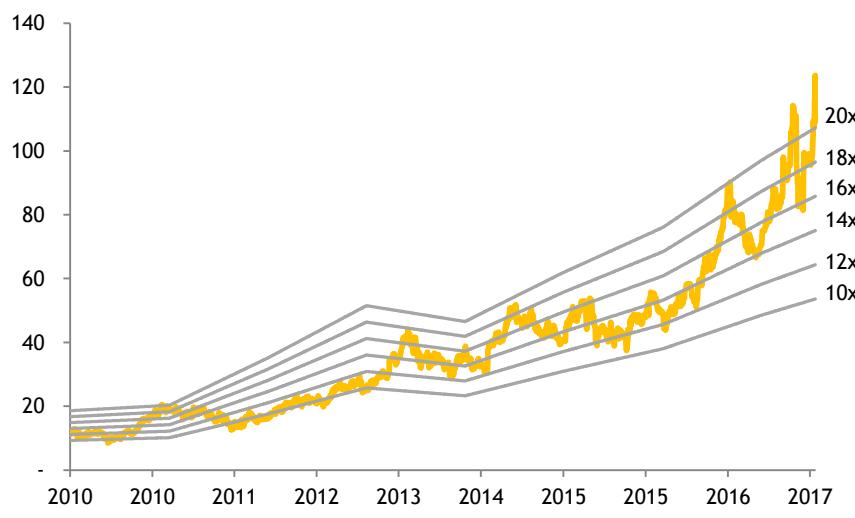


Source: Company data, Maybank Kim Eng

## 2. Valuation and recommendation

Our TP of HKD115 (from HKD110) is based on 20x 2018F P/E (unchanged). AAC deserves a re-rating from its previous trading range of 10-18x since 2010, as the firm has proven it is not just an acoustic component company, by succeeding in haptics engine (2014) and RF casing (2016). But trading at 20x or 1x PEG on 2018F with possible downside risk to Street earnings estimates, we believe positives are already in the price. Our ROE-g/COE-g fair value appraisal also suggests a fair value of HKD101, suggesting our TP of HKD115 has already appreciated its growth potential.

Fig 4: 12-mth fwd P/E for AAC



Source: Maybank Kim Eng

**Fig 5: ROE-g/COE-g fair value appraisal for AAC**

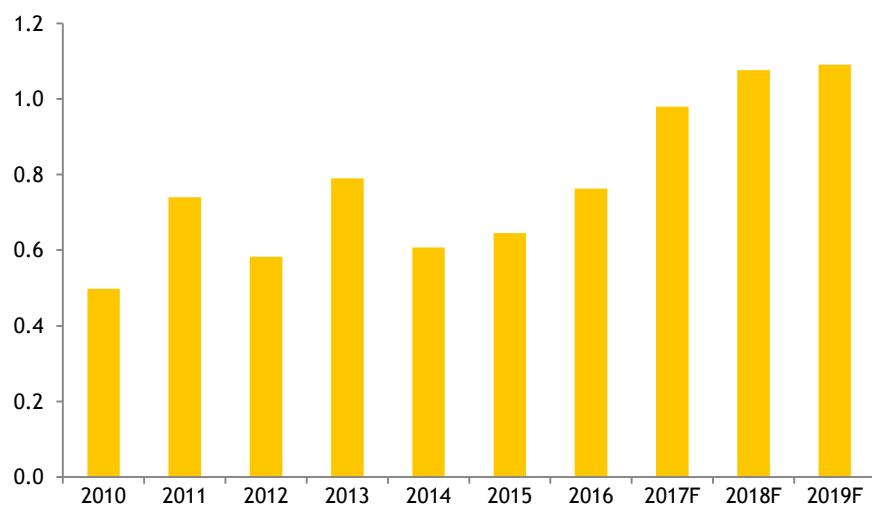
Fair value (HKD)	101
Beta	0.9
Cost of equity	7.9
Average ROE 17.19 (%)	31.0
Terminal growth rate (%)	2.0
ROE-g	29.0
COE-g	5.9
Justified P/BV ratio	5.0
FY18F BVPS (HKD)	20.4

Source: Bloomberg, Maybank Kim Eng

### 3. Upside/downside risk

Key upside risks include 1) ASP expansion for acoustic components and 2) lens business development. AAC believes there is still room for acoustic features upgrade such as better waterproof and true sound. We have assumed blended ASP expansion for AAC's acoustic products thanks to features upgrade (waterproof, sound quality), adoption of RF module (for stereotype sound), and switch from speaker to speaker box. As for lens, we understand AAC is trying to push its wafer level lens for iris recognition and potentially 3D sensing, i.e. those non camera products. But contribution should remain insignificant on a consolidated basis.

On the other hand, the key near-term downside risk should be iPhone production volume, which is unfortunately not under AAC's control. There may also be uncertainty in iPhone acoustic allocation given Merry (2439 TT, NR) reportedly will also supply iPhone acoustic components. We still assume AAC will sustain 50%+ allocation given its primary supplier position.

**Fig 6: AAC's blended ASP for acoustic products**

Source: Company data, Maybank Kim Eng

Fig 7: MKE's sales model and P&amp;L model for AAC

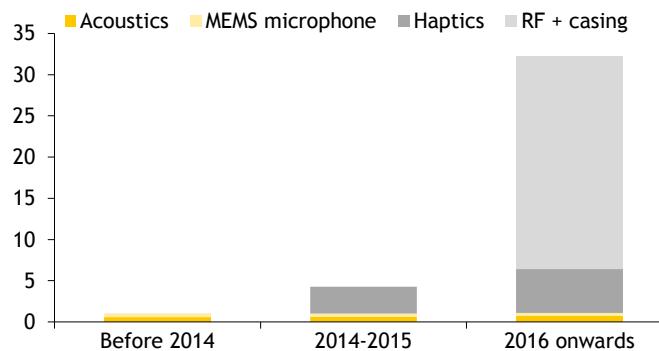
Sales model		1Q16	2Q16	3Q16	4Q16	1Q17	2Q17F	3Q17F	4Q17F	1Q18F	2Q18F	3Q18F	4Q18F	2016A	2017F	2018F	2019F
Dynamic components	CNYm	1,676	1,727	2,174	2,420	1,900	2,093	2,570	3,148	2,519	2,582	3,056	3,520	7,997	9,712	11,676	12,354
Receiver	CNYm	375	371	719	975	531	523	787	1,045	866	823	907	1,064	2,440	2,886	3,660	3,763
Speaker	CNYm	330	344	221	112	195	172	170	202	170	177	184	218	1,006	740	749	762
Speaker boxes	CNYm	971	1,012	1,234	1,333	1,174	1,399	1,613	1,901	1,483	1,582	1,965	2,237	4,550	6,086	7,267	7,830
MEMS Microphones	CNYm	172	126	126	122	86	100	98	87	78	92	108	95	546	371	372	409
Vibrator/Haptics	CNYm	604	597	1,111	1,935	1,177	926	1,085	1,904	1,362	1,217	1,386	1,829	4,247	5,091	5,794	5,947
RF components	CNYm	65	557	750	1,208	1,018	1,205	1,193	1,077	853	1,023	1,228	1,167	2,581	4,492	4,271	4,635
Others	CNYm	27	12	46	52	34	68	101	117	233	292	321	353	137	320	1,199	2,545
Total	CNYm	2,545	3,019	4,207	5,737	4,215	4,392	5,048	6,332	5,045	5,205	6,098	6,963	15,507	19,986	23,312	25,890
<b>Sales breakdown</b>																	
Dynamic components		66%	57%	52%	42%	45%	48%	51%	50%	50%	50%	50%	51%	52%	49%	50%	48%
Receiver		15%	12%	17%	17%	13%	12%	16%	17%	17%	16%	15%	15%	16%	14%	16%	15%
Speaker		13%	11%	5%	2%	5%	4%	3%	3%	3%	3%	3%	3%	6%	4%	3%	3%
Speaker boxes		38%	34%	29%	23%	28%	32%	32%	30%	29%	30%	32%	32%	29%	30%	31%	30%
MEMS Microphones		7%	4%	3%	2%	2%	2%	2%	1%	2%	2%	2%	1%	4%	2%	2%	2%
Vibrator/Haptics		24%	20%	26%	34%	28%	21%	21%	30%	27%	23%	23%	26%	27%	25%	25%	23%
RF components		3%	18%	18%	21%	24%	27%	24%	17%	17%	20%	20%	17%	17%	22%	18%	18%
Others		1%	0%	1%	1%	1%	2%	2%	2%	5%	6%	5%	5%	1%	2%	5%	10%
Total		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>P&amp;L Model</b>																	
FX (CNY/USD)		1Q16	2Q16	3Q16	4Q16	1Q17	2Q17F	3Q17F	4Q17F	1Q18F	2Q18F	3Q18F	4Q18F	2016A	2017F	2018F	2019F
FX (CNY/USD)		6.54	6.55	6.67	6.82	6.89	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.64	6.82	6.80	6.80
Sales	CNYm	2,545	3,019	4,207	5,737	4,215	4,392	5,048	6,332	5,045	5,205	6,098	6,963	15,507	19,986	23,312	25,890
Cost of Goods Sold	CNYm	-1,513	-1,761	-2,448	-3,342	-2,461	-2,592	-2,960	-3,693	-2,944	-3,052	-3,566	-4,059	-9,064	-11,706	-13,621	-15,151
Gross Profit	CNYm	1,031	1,258	1,759	2,394	1,754	1,800	2,087	2,639	2,101	2,153	2,532	2,904	6,443	8,280	9,691	10,739
OPEX	CNYm	-383	-433	-546	-567	-524	-555	-602	-738	-611	-626	-728	-831	-1,929	-2,419	-2,795	-3,100
OP Profit	CNYm	649	825	1,213	1,827	1,230	1,245	1,485	1,900	1,490	1,527	1,805	2,073	4,514	5,861	6,895	7,639
Total Non-OP Profit	CNYm	15	25	52	26	-4	1	2	2	2	2	2	2	119	1	8	139
Pretex Profit	CNYm	664	851	1,265	1,853	1,226	1,247	1,487	1,902	1,492	1,529	1,807	2,076	4,633	5,862	6,903	7,778
Net Profit	CNYm	619	736	1,100	1,570	1,062	1,124	1,341	1,716	1,345	1,379	1,630	1,872	4,025	5,243	6,225	7,015
EPS	CNY	0.50	0.60	0.90	1.28	0.86	0.92	1.09	1.40	1.10	1.12	1.33	1.52	3.28	4.27	5.07	5.71
EPS	HKD	0.60	0.71	1.04	1.45	0.97	1.04	1.24	1.59	1.25	1.28	1.51	1.74	3.80	4.85	5.78	6.51
<b>Profit Margins (%)</b>																	
Gross Margins		40.5%	41.7%	41.8%	41.7%	41.6%	41.0%	41.4%	41.7%	41.6%	41.4%	41.5%	41.7%	41.5%	41.4%	41.6%	41.5%
OP Margins		25.5%	27.3%	28.8%	31.8%	29.2%	28.4%	29.4%	30.0%	29.5%	29.3%	29.6%	29.8%	29.1%	29.3%	29.6%	29.5%
Net Margins		24.3%	24.4%	26.2%	27.4%	25.2%	25.6%	26.6%	27.1%	26.7%	26.5%	26.7%	26.9%	26.0%	26.2%	26.7%	27.1%
<b>QoQ (%)</b>																	
Sales		-34%	19%	39%	36%	-27%	4%	15%	25%	-20%	3%	17%	14%				
Gross Profit		-35%	22%	40%	36%	-27%	3%	16%	26%	-20%	2%	18%	15%				
OP Profit		-38%	27%	47%	51%	-33%	1%	19%	28%	-22%	2%	18%	15%				
Net Profit		-39%	19%	49%	43%	-32%	6%	19%	28%	-22%	2%	18%	15%				
EPS		-39%	19%	49%	43%	-32%	6%	19%	28%	-22%	2%	18%	15%				
<b>YoY (%)</b>																	
Sales		10%	26%	32%	49%	66%	45%	20%	10%	20%	19%	21%	10%	32%	29%	17%	11%
Gross Profit		8%	26%	33%	50%	70%	43%	19%	10%	20%	20%	21%	10%	32%	29%	17%	11%
OP Profit		3%	23%	40%	75%	90%	51%	22%	4%	21%	23%	22%	9%	41%	30%	18%	11%
Net Profit		2%	15%	29%	55%	72%	53%	22%	9%	27%	23%	22%	9%	30%	30%	19%	13%
EPS		2%	15%	29%	55%	72%	53%	22%	9%	27%	23%	22%	9%	30%	30%	19%	13%

Source: Company data, Maybank Kim Eng

## Value Proposition

- Leading global mechanical components supplier.
- One of few components companies with proven track record for diverse products. Firm started from acoustic components and expanded to haptics and RF components.
- Major smartphone spec upgrades now go to I/O interface and mechanical components play an important role here.
- Targeting to lift its value per phone through upgrade features and new components.
- Strong franchise sustains ROE outlook, which at 30%+ for 2012-2018F except 2014, is well above COE.

### AAC's product portfolio for smartphones and ASPs (USD)

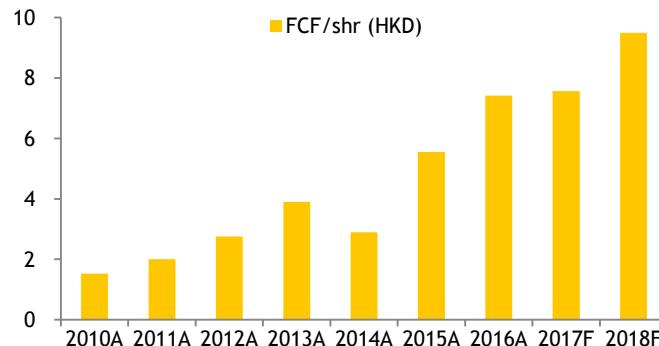


Source: Company

## Financial Metrics

- Has a great opportunity to continue outgrowing the smartphone industry. ASP per phone is increasing.
- Targeting 25% YoY growth for 2017F and we believe there's upside. But we anticipate 2018F growth to slow.
- Profit margins are stable on solid execution. Thus, key earnings driver is from revenue growth.
- PE is the best valuation approach for AAC. This is a product company and earnings are driven by new product rollout and market share gains. So is stock price.
- Strong FCF generation. We expect FCF/sh to grow from HKD5.6 in 2015 to HKD9.5 in 2018F.

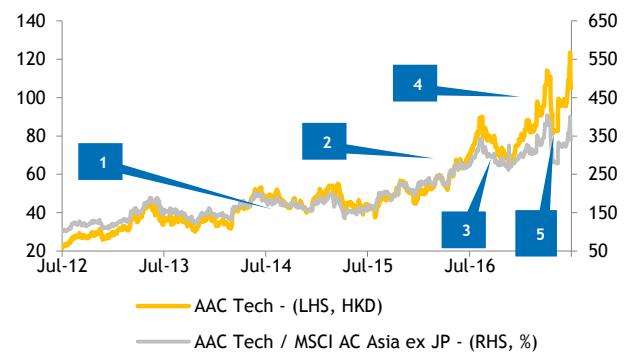
### FCF per share (HKD)



Source: Company

## Price Drivers

### Historical share price trend



Source: Company, Factset, Maybank Kim Eng

1. Haptics for Apple Watch has yield issues. Street also expecting AAC to lose iPhone haptics shares to Nidec.
2. Speaker box adoption by mid to low-end smartphones; ramp up of RF+casing products, and inclusion in HSI constituent shares.
3. Overly optimistic expectation for iPhone 7 acoustic upgrade normalized + LeTV bad debt concern.
4. Expecting another round of upgrade for iPhone 8.
5. Gotham City Research issued short-selling report, followed by company's clarification and share buyback. Stock price became extremely volatile.

## Swing Factors

### Upside

- Better than expected RF components customers gain and ASP expansion.
- A faster haptics engine adoption by Android camp.
- Lenses business growth better than expected.

### Downside

- New iPhone production volume may have downside due to yield rate issue for other products.
- More competitors entering haptics engine market. Nidec is an existing competitor, while Alps is also trying.
- More competitors entering iPhone acoustic market. Merrimac cooperates with Luxshare the latest new player.

FYE 31 Dec	FY15A	FY16A	FY17E	FY18E	FY19E
<b>Key Metrics</b>					
P/E (reported) (x)	15.2	17.1	21.6	18.2	16.1
Core P/E (x)	36.4	28.1	21.6	18.2	16.1
P/BV (x)	10.0	8.0	6.4	5.2	4.2
P/NTA (x)	10.0	8.0	6.4	5.1	4.2
Net dividend yield (%)	0.8	1.2	1.5	1.8	2.0
FCF yield (%)	1.5	1.6	1.7	3.5	4.6
EV/EBITDA (x)	13.2	14.2	15.7	13.1	11.5
EV/EBIT (x)	16.1	17.2	19.3	16.1	14.2
<b>INCOME STATEMENT (CNY m)</b>					
Revenue	11,738.9	15,506.8	19,986.3	23,311.8	25,889.9
Gross profit	4,872.1	6,442.5	8,280.4	9,690.5	10,738.9
EBITDA	3,921.2	5,475.7	7,217.2	8,486.3	9,431.6
Depreciation	(711.2)	(962.1)	(1,356.3)	(1,591.1)	(1,792.4)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	3,210.0	4,513.6	5,860.9	6,895.2	7,639.2
Net interest income / (exp)	(22.0)	(66.8)	(150.5)	(175.5)	(64.7)
Associates & JV	(5.0)	(8.5)	(1.4)	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	252.2	194.3	153.0	183.3	203.5
Pretax profit	3,435.3	4,632.6	5,862.0	6,902.9	7,778.0
Income tax	(325.1)	(608.6)	(619.4)	(677.6)	(763.5)
Minorities	(3.3)	1.2	(0.0)	0.0	0.0
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	3,106.9	4,025.2	5,242.6	6,225.3	7,014.5
Core net profit	3,106.9	4,025.2	5,242.6	6,225.3	7,014.5
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET (CNY m)</b>					
Cash & Short Term Investments	2,223.9	3,864.4	4,220.9	6,251.9	9,229.0
Accounts receivable	4,195.6	6,155.8	7,666.0	8,941.5	9,930.4
Inventory	1,718.2	2,622.9	2,886.4	3,358.7	3,735.9
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	7,080.0	9,494.0	11,137.7	12,546.6	13,754.2
Intangible assets	156.0	167.3	170.6	174.0	177.5
Investment in Associates & JVs	5.9	14.1	14.1	14.1	14.1
Other assets	1,040.8	1,938.7	1,938.7	1,938.7	1,938.7
<b>Total assets</b>	<b>16,420.2</b>	<b>24,257.2</b>	<b>28,034.4</b>	<b>33,225.6</b>	<b>38,779.8</b>
ST interest bearing debt	1,158.9	3,303.3	3,369.4	3,436.7	3,505.5
Accounts payable	2,919.0	5,345.9	5,452.1	6,344.2	7,056.6
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	648.7	789.1	789.1	789.1	789.1
Other liabilities	340.0	604.0	645.0	689.0	738.0
<b>Total Liabilities</b>	<b>5,066.1</b>	<b>10,042.4</b>	<b>10,255.1</b>	<b>11,258.9</b>	<b>12,088.9</b>
Shareholders Equity	11,306.9	14,188.9	17,753.4	21,940.7	26,664.9
Minority Interest	47.1	25.9	25.9	25.9	25.9
<b>Total shareholder equity</b>	<b>11,354.1</b>	<b>14,214.8</b>	<b>17,779.4</b>	<b>21,966.6</b>	<b>26,690.9</b>
Perpetual securities	0.0	0.0	0.0	0.0	0.0
<b>Total liabilities and equity</b>	<b>16,420.2</b>	<b>24,257.2</b>	<b>28,034.4</b>	<b>33,225.6</b>	<b>38,779.8</b>
<b>CASH FLOW (CNY m)</b>					
Pretax profit	3,435.3	4,632.6	5,862.0	6,902.9	7,778.0
Depreciation & amortisation	711.2	962.1	1,356.3	1,591.1	1,792.4
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	(265.6)	(438.1)	(1,667.5)	(855.7)	(653.6)
Cash taxes paid	0.0	0.0	0.0	0.0	0.0
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	3,760.3	4,812.0	4,968.5	7,001.6	8,198.7
Capex	(2,087.1)	(3,007.7)	(3,000.0)	(3,000.0)	(3,000.0)
Free cash flow	1,673.1	1,804.3	1,968.5	4,001.6	5,198.7
Dividends paid	(939.6)	(1,314.3)	(1,678.0)	(2,038.0)	(2,290.3)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Change in Debt	(258.9)	2,144.4	66.1	67.4	68.7
Perpetual securities distribution	0.0	0.0	0.0	0.0	0.0
Other invest/financing cash flow	95.3	(1,143.0)	0.0	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	570.0	1,491.4	356.5	2,031.0	2,977.1

FYE 31 Dec	FY15A	FY16A	FY17E	FY18E	FY19E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	32.2	32.1	28.9	16.6	11.1
EBITDA growth	24.6	39.6	31.8	17.6	11.1
EBIT growth	29.2	40.6	29.8	17.6	10.8
Pretax growth	33.1	34.9	26.5	17.8	12.7
Reported net profit growth	34.5	29.6	30.2	18.7	12.7
Core net profit growth	33.7	29.6	30.2	18.7	12.7
<b>Profitability ratios (%)</b>					
EBITDA margin	33.4	35.3	36.1	36.4	36.4
EBIT margin	27.3	29.1	29.3	29.6	29.5
Pretax profit margin	29.3	29.9	29.3	29.6	30.0
Payout ratio	30.2	32.7	32.7	32.7	32.7
<b>DuPont analysis</b>					
Net profit margin (%)	26.5	26.0	26.2	26.7	27.1
Revenue/Assets (x)	0.7	0.6	0.7	0.7	0.7
Assets/Equity (x)	1.5	1.7	1.6	1.5	1.5
ROAE (%)	30.4	31.6	32.8	31.4	28.9
ROAA (%)	20.9	19.8	20.1	20.3	19.5
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	62.5	42.2	43.2	54.9	56.3
Days receivable outstanding	123.4	120.2	124.5	128.2	131.2
Days inventory outstanding	78.3	86.2	84.7	82.5	84.3
Days payables outstanding	139.1	164.1	166.0	155.9	159.2
Dividend cover (x)	3.3	3.1	3.1	3.1	3.1
Current ratio (x)	1.9	1.4	1.6	1.8	2.1
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	3.2	2.4	2.7	3.0	3.2
Net gearing (%) (incl perps)	net cash	1.6	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	1.6	net cash	net cash	net cash
Net interest cover (x)	146.2	67.6	38.9	39.3	118.0
Debt/EBITDA (x)	0.5	0.7	0.6	0.5	0.5
Capex/revenue (%)	17.8	19.4	15.0	12.9	11.6
Net debt/ (net cash)	(416.3)	228.0	(62.4)	(2,026.0)	(4,934.4)

Source: Company; Maybank

## Research Offices

### REGIONAL

**Sadiq CURRIMBHoy**

Regional Head, Research & Economics  
(65) 6231 5836 sadiq@maybank-ke.com.sg

**WONG Chew Hann, CA**

Regional Head of Institutional Research  
(603) 2297 8686 wchewh@maybank-ib.com

**ONG Seng Yeow**

Regional Head of Retail Research  
(65) 6231 5839 ongsengyeow@maybank-ke.com.sg

**TAN Sin Mui**

Director of Research  
(65) 6231 5849 simmui@kimeng.com.hk

### ECONOMICS

**Suhaimi ILIAS**

Chief Economist  
Malaysia | Philippines  
(603) 2297 8682 suhaimi\_ilias@maybank-ib.com

**CHUA Hak Bin**

Regional Thematic Macroeconomist  
(65) 6231 5830 chuahb@maybank-ke.com.sg

**LEE Ju Ye**

Singapore  
(65) 6231 5844 leejuye@maybank-ke.com.sg

**Saktiandi SUPAAT**

Head, FX Research  
(65) 6320 1379 saktiandi@maybank.com.sg

### STRATEGY

**Sadiq CURRIMBHoy**

Global Strategist  
(65) 6231 5836 sadiq@maybank-ke.com.sg

**Willie CHAN**

Hong Kong / Regional  
(852) 2268 0631 williechan@kimeng.com.hk

### MALAYSIA

**WONG Chew Hann, CA Head of Research**

(603) 2297 8686 wchewh@maybank-ib.com  
• Strategy

**Desmond CH'NG, ACA**

(603) 2297 8680  
desmond.chng@maybank-ib.com  
• Banking & Finance

**LIAW Thong Jung**

(603) 2297 8688 tjliaw@maybank-ib.com  
• Oil & Gas Services- Regional

**ONG Chee Ting, CA**

(603) 2297 8678 ct.ong@maybank-ib.com  
• Plantations - Regional

**Mohshin AZIZ**

(603) 2297 8692 mohshin.aziz@maybank-ib.com  
• Aviation - Regional • Petrochem

**YIN Shao Yang, CPA**

(603) 2297 8916 samuel.y@maybank-ib.com  
• Gaming - Regional • Media

**TAN Chi Wei, CFA**

(603) 2297 8690 chiwei.t@maybank-ib.com  
• Power • Telcos

**WONG Wei Sum, CFA**

(603) 2297 8679 weisum@maybank-ib.com  
• Property

**LEE Yen Ling**

(603) 2297 8691 lee.yl@maybank-ib.com  
• Building Materials • Glove • Ports • Shipping

**Ivan YAP**

(603) 2297 8612 ivan.yap@maybank-ib.com  
• Automotive • Semiconductor • Technology

**Kevin WONG**

(603) 2082 6824 kevin.wong@maybank-ib.com  
• REITS • Consumer Discretionary

**LIEW Wei Han**

(603) 2297 8676 weihan.l@maybank-ib.com  
• Consumer Staples

**Adrian WONG**

(603) 2297 8675 adrian.wkj@maybank-ib.com  
• Constructions • Healthcare

**Jade TAM**

(603) 2297 8687 jade.tam@maybank-ib.com  
• Media • Building Materials

**TEE Sze Chiah Head of Retail Research**

(603) 2082 6858 szechiah.t@maybank-ib.com

**Nik Ihsan Raja Abdullah, MSTA, CFE**

(603) 2297 8694 nikmohdihsan.ra@maybank-ib.com

### HONG KONG / CHINA

**Benjamin HO**

(852) 2268 0632 benjaminho@kimeng.com.hk  
• Consumer & Auto

**Christopher WONG**

(852) 2268 0652 christopherwong@kimeng.com.hk  
• HK & China Properties

**Jacqueline KO, CFA**

(852) 2268 0633 jacquelineko@kimeng.com.hk  
• Consumer Staples & Durables

**Ka Leong LO, CFA**

(852) 2268 0630 kilo@kimeng.com.hk  
• Consumer Discretionary & Auto

**Mitchell KIM**

(852) 2268 0634 mitchellkim@kimeng.com.hk  
• Internet & Telcos

**Ning MA, CFA**

(852) 2268 0672 ningma@kimeng.com.hk  
• Insurance

**Ricky NG, CFA**

(852) 2268 0689 rickyng@kimeng.com.hk  
• Regional Renewables  
• HK & China Properties

**Sonija LI, CFA, FRM**

(852) 2268 0641 sonijali@kimeng.com.hk  
• Gaming

**Stefan CHANG, CFA**

(852) 2268 0675 stefanchang@kimeng.com.hk  
• Technology - Regional

**Tony Ren, MBA, CFA**

(852) 2268 0640 tonyren@kimeng.com.hk  
• Healthcare & Pharmaceutical

### INDIA

**Jigar SHAH Head of Research**

(91) 22 6623 2632 jigar@maybank-ke.co.in  
• Strategy • Oil & Gas • Automobile • Cement

**Vishal MODI**

(91) 22 6623 2607 vishal@maybank-ke.co.in  
• Banking & Financials

**Neerav DALAL**

(91) 22 6623 2606 neerav@maybank-ke.co.in  
• Software Technology • Telcos

**Vishal PERIWAL**

(91) 22 6623 2605 vishalperiwal@maybank-ke.co.in  
• Infrastructure

### SINGAPORE

**Neel SINHA Head of Research**

(65) 6231 5838 neelsinha@maybank-ke.co.sg  
• Strategy  
• SMID Caps - Regional

**CHUA Su Tye**

(65) 6231 5842 chuasutye@maybank-ke.com.sg  
• REITs

**Derrick HENG, CFA**

(65) 6231 5843 derrickheng@maybank-ke.com.sg  
• Transport • Property • REITs (Office)

**John CHEONG, CFA**

(65) 6231 5845 johncheong@maybank-ke.com.sg  
• Small & Mid Caps • Healthcare

**NG Li Hiang**

(65) 6231 5840 nglhiang@maybank-ke.com.sg  
• Banks

### INDONESIA

**Isnapatra ISKANDAR Head of Research**

(62) 21 8066 8680  
isnaputra.iskandar@maybank-ke.co.id  
• Strategy • Metals & Mining • Cement

**Rahmi MARINA**

(62) 21 8066 8689  
rahmi.marina@maybank-ke.co.id  
• Banking & Finance  
• Property

**Aurellia SETIABUDI**

(62) 21 8066 8691  
aurellia.setiabudi@maybank-ke.co.id  
• Retail

**Janni ASMAN**

(62) 21 8066 8687  
janni.asman@maybank-ke.co.id  
• Cigarette • Healthcare • Retail

**Adhi TASMIN**

(62) 21 8066 8694  
adhi.tasmin@maybank-ke.co.id  
• Plantations

### PHILIPPINES

**Minda OLONAN Head of Research**

(63) 2 849 8840  
minda\_olonan@maybank-atrk.com  
• Strategy

**Lovell SARREAL**

(63) 2 849 8841  
lovell\_sarreal@maybank-atrk.com  
• Consumer • Media • Cement

**Rommel RODRIGO**

(63) 2 849 8839  
rommel\_rodrigo@maybank-atrk.com  
• Conglomerates • Property • Gaming  
• Ports/ Logistics

**Katherine TAN**

(63) 2 849 8843  
kat\_tan@maybank-atrk.com  
• Banks • Construction

### THAILAND

**Maria LAPIZ Head of Institutional Research**

Dir (66) 2257 0250 | (66) 2658 6300 ext 1399  
Maria.L@maybank-ke.co.th  
• Strategy • Consumer • Materials • Ind. Estates  
• Oil & Gas • Telcos

**Sittichai DUANGRATTANACHAYA**

(66) 2658 6300 ext 1393  
Sittichai.D@maybank-ke.co.th  
• Services Sector • Transport • Property • Telcos

**Tanawat RUENBANTERNG**

(66) 2658 6300 ext 1394  
Tanawat.R@maybank-ke.co.th  
• Banks & Diversified Financials

**Sukit UDUMSIRIKUL Head of Retail Research**

(66) 2658 6300 ext 5090  
Sukit.u@maybank-ke.co.th

**Surachai PRAMUALCHAROENKIT**

(66) 2658 6300 ext 1470  
Surachai.p@maybank-ke.co.th  
• Auto • Commat • Contractor • Steel

**Suttipat PEERASUB**

(66) 2658 6300 ext 1430  
suttipat.p@maybank-ke.co.th  
• Media • Commerce

**Sutthichai KUMWORACHAI**

(66) 2658 6300 ext 1400  
sutthichai.k@maybank-ke.co.th  
• Energy • Petrochem

**Termporn TANTIVIVAT**

(66) 2658 6300 ext 1520  
termporn.t@maybank-ke.co.th  
• Property

**Jaroopan WATTANAWONG**

(66) 2658 6300 ext 1404  
jaroopan.w@maybank-ke.co.th  
• Transportation • Small cap

### VIETNAM

**LE Hong Lien, ACCA**

Head of Institutional Research  
(84) 8 44 555 888 x 8181  
lien.le@maybank-kimeng.com.vn  
• Strategy • Consumer • Diversified

**THAI Quang Trung, CFA**

Deputy Head, Institutional Research  
(84) 8 44 555 888 x 8180  
trung.thai@maybank-kimeng.com.vn  
• Real Estate • Construction • Materials

**LE Nguyen Nhat Chuyen**

(84) 8 44 555 888 x 8082  
chuyen.le@maybank-kimeng.com.vn  
• Oil & Gas

**NGUYEN Thach Lam**

(84) 8 44 555 888 x 8085  
thachlam.nguyen@maybank-kimeng.com.vn  
• Utilities

**NGUYEN Thi Ngan Tuyen**

Head of Retail Research  
(84) 8 44 555 888 x 8081  
tuyen.nguyen@maybank-kimeng.com.vn  
• Food & Beverage • Oil&Gas • Banking

**TRUONG Quang Binh**

Deputy Head, Retail Research  
(84) 8 44 555 888 x 8087  
binh.truong@maybank-kimeng.com.vn  
• Rubber Plantation • Tyres and Tubes • Oil&Gas

**TRINH Thi Ngoc Diep**

(84) 8 44 555 888 x 8208  
diep.trinh@maybank-kimeng.com.vn  
• Technology • Utilities • Construction

**NGUYEN Thi Sony Tra Mi**

(84) 8 44 555 888 x 8084  
mi.nguyen@maybank-kimeng.com.vn  
• Port Operation • Pharmaceutical  
• Food & Beverage

**NGUYEN Thanh Lam**

(84) 4 44 555 888 x 8086  
thanhlam.nguyen@maybank-kimeng.com.vn  
• Technical Analysis

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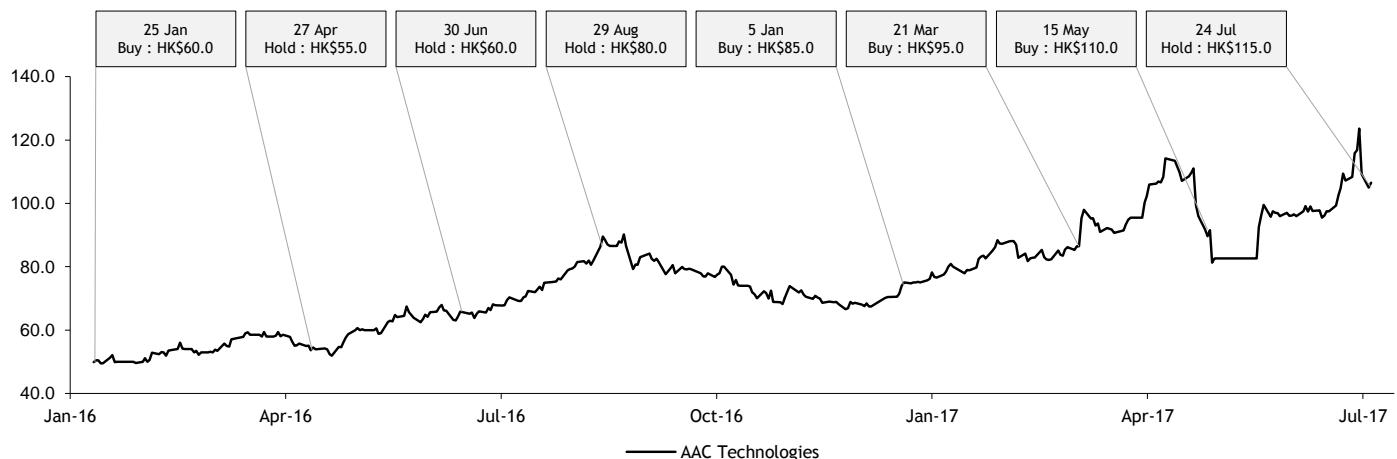
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### Historical recommendations and target price: AAC Technologies (2018 HK)



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 **Malaysia**

**Maybank Investment Bank Berhad**  
 (A Participating Organisation of  
 Bursa Malaysia Securities Berhad)  
 33rd Floor, Menara Maybank,  
 100 Jalan Tun Perak,  
 50050 Kuala Lumpur  
 Tel: (603) 2059 1888;  
 Fax: (603) 2078 4194

**Stockbroking Business:**  
 Level 8, Tower C, Dataran Maybank,  
 No.1, Jalan Maarof  
 59000 Kuala Lumpur  
 Tel: (603) 2297 8888  
 Fax: (603) 2282 5136

 **Singapore**

**Maybank Kim Eng Securities Pte Ltd**  
**Maybank Kim Eng Research Pte Ltd**  
 50 North Canal Road  
 Singapore 059304

Tel: (65) 6336 9090

 **London**

**Maybank Kim Eng Securities (London) Ltd**  
 PNB House  
 77 Queen Victoria Street  
 London EC4V 4AY, UK

Tel: (44) 20 7332 0221  
 Fax: (44) 20 7332 0302

 **New York**

**Maybank Kim Eng Securities USA Inc**  
 777 Third Avenue, 21st Floor  
 New York, NY 10017, U.S.A.  
 Tel: (212) 688 8886  
 Fax: (212) 688 3500

 **Philippines**

**Maybank ATR Kim Eng Securities Inc.**  
 17/F, Tower One & Exchange Plaza  
 Ayala Triangle, Ayala Avenue  
 Makati City, Philippines 1200

Tel: (63) 2 849 8888  
 Fax: (63) 2 848 5738

 **Hong Kong**

**Kim Eng Securities (HK) Ltd**  
 Level 30,  
 Three Pacific Place,  
 1 Queen's Road East,  
 Hong Kong

Tel: (852) 2268 0800  
 Fax: (852) 2877 0104

 **Indonesia**

**PT Maybank Kim Eng Securities**  
 Sentral Senayan III, 22<sup>nd</sup> Floor  
 Jl. Asia Afrika No. 8  
 Gelora Bung Karno, Senayan  
 Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188  
 Fax: (62) 21 2557 1189

 **India**

**Kim Eng Securities India Pvt Ltd**  
 2nd Floor, The International,  
 16, Maharishi Karve Road,  
 Churchgate Station,  
 Mumbai City - 400 020, India

Tel: (91) 22 6623 2600  
 Fax: (91) 22 6623 2604

 **Thailand**

**Maybank Kim Eng Securities (Thailand) Public Company Limited**  
 999/9 The Offices at Central World,  
 20<sup>th</sup> - 21<sup>st</sup> Floor,  
 Rama 1 Road Pathumwan,  
 Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)  
 Tel: (66) 2 658 6801 (research)

 **Vietnam**

**Maybank Kim Eng Securities Limited**  
 4A-15+16 Floor Vincom Center Dong  
 Khoi, 72 Le Thanh Ton St. District 1  
 Ho Chi Minh City, Vietnam

Tel : (84) 844 555 888  
 Fax : (84) 8 38 271 030

 **Saudi Arabia**

*In association with*  
**Anfaal Capital**  
 Villa 47, Tujjar Jeddah  
 Prince Mohammed bin Abdulaziz  
 Street P.O. Box 126575  
 Jeddah 21352

Tel: (966) 2 6068686  
 Fax: (966) 26068787

 **South Asia Sales Trading**

**Kevin Foy**  
 Regional Head Sales Trading  
 kevinfoy@maybank-ke.com.sg  
 Tel: (65) 6636-3620  
 US Toll Free: 1-866-406-7447

 **North Asia Sales Trading**

**Andrew Lee**  
 andrewlee@kimeng.com.hk  
 Tel: (852) 2268 0283  
 US Toll Free: 1 877 837 7635

**Malaysia**

**Joann Lim**  
 joann.lim@maybank-ib.com  
 Tel: (603) 2717 5166

**Thailand**

**Tanasak Krishnasreni**  
 Tanasak.K@maybank-ke.co.th  
 Tel: (66)2 658 6820

**Indonesia**

**Harianto Liang**  
 harianto.liang@maybank-ke.co.id  
 Tel: (62) 21 2557 1177

**London**

**Scott Kinnear-Nock**  
 SKinnear-nock@maybank-ke.co.uk  
 Tel: (44) 207-332-0221

**New York**

**Andrew Dacey**  
 adacey@maybank-keusa.com  
 Tel: (212) 688 2956

**India**

**Manish Modi**  
 manish@maybank-ke.co.in  
 Tel: (91)-22-6623-2601

**Vietnam**

**Patrick Mitchell**  
 patrick.mitchell@maybank-kimeng.com.vn  
 Tel: (84)-8-44-555-888 x8080

**Philippines**

**Keith Roy**  
 keith\_roy@maybank-atrke.com  
 Tel: (63) 2 848-5288

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