UOBKayHian

Company – Results | Greater China

Monday, 31 August 2026

BYD Electronics (285 HK)

2Q26: Yet Another Huge Miss On Weaker Margins

Highlights

- BYDE's 2Q26 results were another big miss, declining 64.0% yoy to Rmb399m and missing consensus estimates by 46.4% due to forex losses and much worse than expected margins.
- AI server seems to be the key growth driver for BYDE in the future, but we believe that it will not be able to offset core business' weaknesses until 2028.
- Maintain SELL. Cut target price to HK$14.50.

2Q26 Results

Year to 31 Dec (Rmbm)	2Q25	1Q26	2Q26	yoy (%)	qoq (%)
Turnover	43,725	38,183	44,051	0.7	15.4
Gross Profit	3,218	1,991	2,046	(36.4)	2.7
Net Profit (Reported)	1,108	28	399	(64.0)	1,331.9
Margins (%)					
Gross margin	7.4	5.2	4.6	(2.7)	(0.6)
Net margin	2.5	0.1	0.9	(1.6)	0.8

Source: BYD Electronics, UOB Kay Hian

Analysis

- **2Q26 is another huge miss.** BYD Electronics' (BYDE) 2Q26 revenue rose 0.7% yoy and 15.4% qoq to Rmb44.1b, 6.3% ahead of consensus' estimates of Rmb41.4b. However, gross margin sharply deteriorated by 2.7ppt yoy and 0.6ppt qoq to 4.6%, a 0.9ppt miss vs consensus estimates due to ongoing margin pressure and deteriorating mix. Coupled with an unfavourable exchange rate leading to an around Rmb700m forex loss for 1H26, net profit plunged 64.0% yoy to Rmb399m, which is 46.4% below consensus estimates.
- **1H26 segment performance:** New energy vehicle revenue rose 6.4% yoy to Rmb13.6b (16.6% of group's revenue), which is largely in line; Smart terminal grew 1.3% yoy to Rmb67.9b (82.5% of group's revenue), primarily driven by a better-than-expected assembly business which grew 5.1% yoy to Rmb56.0b, likely attributable to higher memory prices; but the component business deteriorated 13.4% yoy to Rmb11.9b as expected, and this had led to a deterioration in profitability as the assembly business has a much lower, single-digit % margin. AI computing infrastructure – the segment carrying the entire structural story – shrank 10.2% yoy to just Rmb753m, or 0.9% of group revenue.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	177,306	179,477	182,422	189,726	190,100
EBITDA	10,325	8,925	6,426	7,131	8,169
Operating profit	3,927	2,764	1,428	1,881	2,723
Net profit	4,266	3,515	1,766	2,876	3,752
Net profit (adj.)	4,266	3,515	1,766	2,876	3,752
EPS (fen)	189.3	156.0	78.4	127.7	166.5
P/E (x)	11.0	13.3	26.5	16.3	12.5
P/BV (x)	1.9	1.8	1.7	1.6	1.5
EV/EBITDA (x)	4.8	5.6	7.7	7.0	6.1
Dividend yield (%)	2.4	0.7	1.0	1.6	2.1
Net margin (%)	2.4	2.0	1.0	1.5	2.0
Net debt to equity (%)	3.4	(13.5)	(11.2)	(28.7)	(29.5)
Interest cover (x)	18.4	(410.5)	(7.1)	(6.4)	(6.2)
ROE (%)	13.8	10.5	5.0	7.8	9.5
Consensus net profit	-	-	3,986	5,707	5,496
UOBKH/Consensus (x)	-	-	0.44	0.50	0.68

Source: BYD Electronics, Bloomberg, UOB Kay Hian

Analyst(s)

Johnny Yum
johnny.yum@uobkh.com
+852 2235 6760

Murphy Li
murphy.li@uobkh.com
+852 2826 4867

SELL (Maintained)

Share Price	HK$24.76
Target Price	HK$14.50
Upside	-41.4%
Previous TP	HK$19.90

Stock Data

Sector	Electronics Components
Bloomberg ticker	285 HK
Shares issued (m)	2,253
Market cap (HK$m)	55,789
Market cap (US$m)	7,858
3-mth avg daily t'over (US$m)	39.0

Price Performance (%)

52-week high/low HK$46.52/HK$20.10

1mth	3mth	6mth	1yr	YTD
6.8	(16.9)	(23.3)	(35.5)	(26.4)

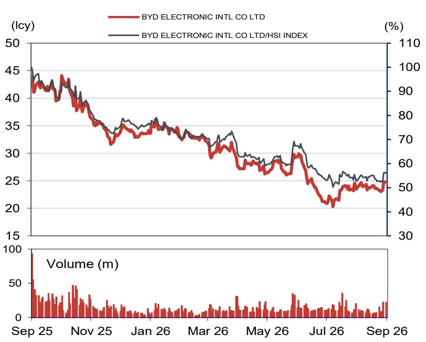
Major Shareholders (%)

BYD Company	65.8

Balance Sheet Metrics

FY26 NAV/Share (HK$)	11.91
FY26 Net Debt/Share (HK$)	1.78

Price Chart



Source: Bloomberg

Company Description

BYD Electronic International Co., Ltd researches, develops, manufactures handset components such as handset casings and handset keypads and modules for handset manufacturers. The company also provides assembly services comprising assembly service and PCB assembly service to global handset manufacturers.

- **Management guidance:** Management expects large client business to pick up from 2H26 thanks to seasonality, although a true turnaround may only arrive in 2H27 when there are more meaningful specification upgrades; the automotive business is expected to register sustained growth on the back of share gains and penetration into new clients; and AI business to register more meaningful growth of over Rmb3b in 2026. In the longer term, management targets to achieve “tens of billions of renminbi” for the liquid cooling business and Rmb100b for the power supply business.
- **BYDE seems more like a 2028 story,** as its its current core businesses are likely to remain unexciting through 2H26-2027, due to share losses at large US clients, sustained elevated component prices destroying Android demand, and slower automotive business growth. AI server-related business is expected to pick up from 2H26, which should be BYDE’s key growth driver for years to come. However, management stated that some of the key product types, such as HVDC, and optical interconnect, may not see meaningful contribution until 2028/29, which means the AI business is unlikely to reach a scale capable of offsetting the core business’ weaknesses through 2027.

Valuation/Recommendation

- **Our SOTP-derived valuation is HK$14.50/share, equivalent to a blended 11.4x PE.** It is based on: a) 9.6x 2027F PE for the automotive electronics division b) 13.6x 2027F PE for the consumer electronics division; and c) 20.0x 2027F PE for the AI server division.

Earnings Revision/Risk

- We slash our 2026-28 net profit estimates by 48.0%/34.6%/27.9% respectively to Rmb1,766m/Rmb2,876m/Rmb3,752m respectively. We have factored in a higher revenue assumption, but this is more than offset by a much worse margin assumption.

Changes to 2026-28 estimates

Year to 31 Dec	Old estimates			New estimates			Differences (%)		
(Rmbm)	2026F	2027F	2028F	2026F	2027F	2028F	2026F	2027F	2028F
Revenue	178,033	182,539	185,941	182,422	189,726	190,100	2.5	3.9	2.2
Automotive	28,318	30,583	33,570	28,318	30,583	33,570	-	-	-
Consumer Electronics	146,415	147,005	145,935	151,275	153,485	149,175	3.3	4.4	2.2
Of which: intelligent products	13,856	14,133	14,415	13,856	14,133	14,415	-	-	-
existing consumer electronics	132,560	132,872	131,520	137,420	139,352	134,760	3.7	4.9	2.5
AI server	3,301	4,951	6,436	2,829	5,658	7,355	(14.3)	14.3	14.3
Margins(%)	5.8	6.2	6.5	4.8	5.0	5.4	(1.0)	(1.2)	(1.1)
Automotive	13.8	13.5	14.0	13.0	13.6	14.0	(0.8)	0.1	-
Consumer Electronics	4.2	4.4	4.4	3.2	3.2	3.3	(1.0)	(1.3)	(1.1)
AI server (restated)	9.1	12.8	16.0	7.5	9.0	10.0	(1.6)	(3.8)	(6.0)
Operating Profit	2,760	3,529	4,252	1,428	1,881	2,723	(48.3)	(46.7)	(36.0)
Net Profit	3,396	4,401	5,203	1,766	2,876	3,752	(48.01)	(34.6)	(27.9)

Source: BYD Electronics, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	179,477	182,422	189,726	190,100
EBITDA	8,925	6,426	7,131	8,169
Depreciation & amortization	(6,161)	(4,997)	(5,250)	(5,445)
EBIT	2,764	1,428	1,881	2,723
Total other non-operating income	1,151	355	1,055	1,055
Associate contributions	-	-	-	-
Net interest income/(expense)	7	201	296	438
Pre-tax profit	3,921	1,984	3,232	4,216
Tax	(407)	(218)	(356)	(464)
Minorities	-	-	-	-
Net profit	3,515	1,766	2,876	3,752
Net profit (recurrent)	3,515	1,766	2,876	3,752

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	17,798	17,460	16,843	15,945
Other LT assets	11,136	10,277	9,445	8,697
Cash/ST investment	16,362	13,710	20,681	21,822
Other current assets	38,316	49,100	41,549	49,088
Total assets	83,612	90,548	88,518	95,552
ST debt	8,891	6,891	6,891	6,891
Other current liabilities	39,444	46,965	42,589	46,733
LT debt	0	0	0	0
Other LT liabilities	2,543	2,543	2,543	2,543
Shareholders' equity	34,442	35,856	38,203	41,092
Minority interest	0	0	0	0
Total liabilities & equity	83,612	90,548	88,518	95,552

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	17,183	3,747	11,508	6,011
Pre-tax profit	3,921	1,984	3,232	4,216
Tax	(407)	(218)	(356)	(464)
Depreciation/amortization	6,161	4,997	5,250	5,445
Associates	-	-	-	-
Working capital changes	11,702	(3,263)	3,175	(3,394)
Non-cash items	(4,195)	247	207	207
Other operating cashflows	-	-	-	-
Investing	(6,033)	(3,800)	(3,800)	(3,800)
Capex (growth)	(6,033)	(3,800)	(3,800)	(3,800)
Investments	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	-	-	-	-
Financing	(4,650)	(2,599)	(737)	(1,070)
Dividend payments	(1,280)	(352)	(530)	(863)
Issue of shares	-	-	-	-
Proceeds from borrowings	12,000	10,000	10,000	10,000
Loan repayment	(15,000)	(12,000)	(10,000)	(10,000)
Others/interest paid	(370)	(247)	(207)	(207)
Net cash inflow (outflow)	6,500	(2,652)	6,971	1,140
Beginning cash & cash equivalent	7,052	13,552	10,900	17,872
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	13,552	10,900	17,872	19,012

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	6.0	4.8	5.0	5.4
Pretax margin	2.2	1.1	1.7	2.2
Net margin	2.0	1.0	1.5	2.0
ROA	4.0	2.0	3.2	4.1
ROE	10.5	5.0	7.8	9.5
Growth				
Turnover	1.2	1.6	4.0	0.2
Gross profit	(12.6)	(18.9)	8.5	9.1
Pre-tax profit	(17.3)	(49.4)	62.9	30.4
Net profit	(17.6)	(49.8)	62.9	30.4
Net profit (adj)	(17.6)	(49.8)	62.9	30.4
EPS	(17.6)	(49.8)	62.9	30.4
Leverage				
Debt to total capital	10.6	7.6	7.8	7.2
Debt to equity	25.8	19.2	18.0	16.8
Net debt to equity	(13.5)	(11.2)	(28.7)	(29.5)
Interest cover (x)	(410.5)	(7.1)	(6.4)	(6.2)