

BYD Electronics (285 HK)

3Q26: Consumer Electronics Continues To Drag Profitability

Highlights

- BYDE reported weak results again. Revenue of Rmb45b was in line, but margins missed consensus as consumer devices continued to drag profitability. Bottom line registered a 35% sequential recovery at Rmb537m but still missed consensus expectation by 18%.
- Management sees strong opportunities in its AI-infrastructure related business and expects robust growth through 2027, but the consumer electronic business seems to have more downside going forward.
- Maintain SELL and keep target price unchanged at HK\$14.50.

3Q26 Results

Year to 31 Dec (Rmbm)	3Q25	2Q26	3Q26	yoy (%)	qoq (%)
Turnover	42,680	44,051	45,223	6.0	2.7
Gross Profit	2,946	2,046	2,035	(30.9)	(0.5)
Net Profit (Reported)	1,407	399	537	(61.9)	34.7
Margins (%)					
Gross margin	6.9	4.6	4.5	(2.4)	(0.1)
Net margin	3.3	0.9	1.2	(2.1)	0.3

Source: BYD Electronics, UOB Kay Hian

Analysis

- **Weak sets of results yet again as the smart terminal segment saw no signs of recovery.** BYD Electronics' (BYDE) 3Q26 revenue grew 6.0% yoy and 2.7% qoq to Rmb45,223m, which is largely in line with growth driven by the auto segment and the emerging AI server ODM business. This is however more than offset by a sustained weakness in the smart terminal segment – the lower capacity utilisation and pricing pressure had led to a 2.4ppt yoy and 0.1ppt qoq compression in gross margins to 4.5%, which is a 0.4ppt miss vs consensus estimates but largely in line with our expectations. On the brighter side, BYDE stated that forex impacts had improved sequentially, and as a result, net profit declined 61.9% yoy but recovered 34.7% qoq to Rmb537m, which is still 17.7% below consensus estimate and largely in line with ours.

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)	10.2	12.4	24.7	15.2	11.6
P/BV (x)	1.8	1.7	1.6	1.5	1.4
EV/EBITDA (x)	4.5	5.2	7.2	6.5	5.6
Dividend yield (%)	2.6	0.7	1.1	1.7	2.2
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	-	-	2,361	4,411	2,972
UOBKH/Consensus (x)	-	-	0.75	0.65	1.26

Source: BYD Electronics, Bloomberg, UOB Kay Hian

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SELL (Maintained)

Share Price	HK\$22.24
Target Price	HK\$14.50
Upside	-34.8%

Stock Data

Sector	Electronics Components
Bloomberg ticker	285 HK
Shares issued (m)	2,253
Market cap (HK\$m)	50,111
Market cap (US\$m)	6,425
3-mth avg daily t'over (US\$m)	28.9

Price Performance (%)

52-week high/low			HK\$39.08/HK\$20.10	
1mth	3mth	6mth	1yr	YTD
(4.8)	(9.6)	(16.4)	(42.1)	(33.9)

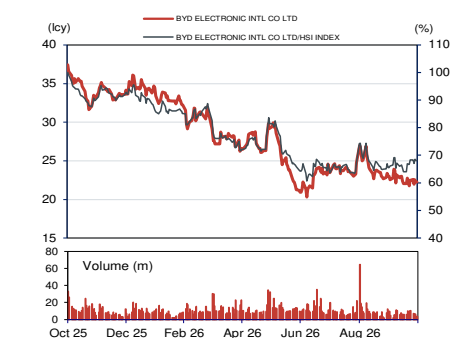
Major Shareholders (%)

BYD Company	65.8
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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 expects to register a 4x yoy growth in AI server OEM revenue to Rmb4b in 2026**, and targets Rmb10b by 2027. Liquid cooling components' mass production schedule ended up being one month later than expected, but BYDE remains confident about achieving low-Rmb100m in revenue in 2026 before growing rapidly to Rmb1b by 2027, with margins targeted at 20-30%.
- **BYDE is also working with multiple customers on liquid cooling and power supply components.** Management highlighted that BYDE is now working with NVIDIA on multiple projects, including an 800v HVDC AC-DC sidecar project with mass production underway in 1Q27, and the UQD/ZQD quick disconnect liquid cooling connect designed for high-density AI racks which is expected to become the standard specification for all NVIDIA AI racks going forward. The company is also collaborating with multiple Chinese AI developers on the development of both liquid cooling and power supply architecture/framework and expects more projects to start contributing meaningfully in 1H27.
- **No turning point in sight for the consumer device segment.** Management no longer foresees a turnaround in its smart terminal segment by 4Q26, and expects the quarter to be at a similar level to 9M26. It is also likely that the Android side of the business will further deteriorate in 2027, although the silver lining is that the iOS client may hold up better given the re-introduction of titanium mid-frame along with several new product categories which BYDE is also involved in.
- **Automotive business to be driven by content growth in 2027**, which is still driven by the ongoing penetration of smart-driving domain controller and intelligent suspension. The parent company's solid exports growth is also bolstering its profitability as overseas vehicles tend to sell at a higher ASPs.

Valuation/Recommendation

- **Maintain SELL and keep our SOTP-derived target price at HK\$14.50, which is equivalent to 11.4x 2027F 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.
- We are maintaining our SELL rating, as we see no signs of recovery in its primary consumer electronic business, while the emerging AI-infrastructure OEM and component business remains too small to provide any meaningful support.

Earnings Revision/Risk

- No changes to estimates.

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

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

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

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)

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