



Rating  
**Buy**

Asia  
Hong Kong

Technology  
Hardware & Equipment

Company  
**FIH Mobile Limited**  
**Alert**

Reuters 2038.HK	Bloomberg 2038 HK	Exchange HKG	Ticker 2038
ADR Ticker FXCNY	ISIN US3516491087		

Date  
19 March 2015

**Results**

Price at 19 Mar 2015 (HKD)	3.62
Price target - 12mth (HKD)	5.00
52-week range (HKD)	5.00 - 3.44
HANG SENG INDEX	24,120

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## Back to the glory days

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FIH reported 2H14 operating profit of USD214mn (+148% YoY; +91% HoH) and net profit of USD149mn (+151% YoY; +198% HoH) on sales of USD4.5 bn (+80% YoY; 99% HoH). 2H14 sales and net profits are the highest figures since 1H08. FIH Mobile is on track to return to its heydays, as we expected. Gross margin/operating improved by 1.3pt/1.3pt YoY to 6.2%/4.7% respectively, thanks to product mix improvement. Reiterate Buy

### Strong orders + improved manufacturing efficiency= strong 2H14

FIH's 2H14 results beat DBE/consensus estimates by 57%/42%, owing to strong top-line growth and margin expansion. FIH attributes the top-line strength to robust mobile device orders from local customers (Xiaomi for both Mi/RedMi series, Meizu for MX4, Motorola for MotoE, in our view). FIH Mobile attributes margin expansion to significant yield rate and manufacturing efficiency improvement. We believe rising contribution from metal casings and smartphone ODM orders also helped to improve gross margin. FIH Mobile supplies metal casings to Xiaomi, Oppo, Meizu, and etc.

### Good proxy for China smartphone growth

We are waiting for more comments from the management on 2015 guidance. For now, we are positive about its 2015 outlook. We view FIH as a good proxy to ride on Chinese smartphone brands' strong growth momentum. We reiterate Buy rating and keep our ROE-PB based TP of HKD5.0 (COE of 6.2, ROE of 6.8%) unchanged. Risks include inventory, price competition and weak demand.

Figure 1: 2H14 P&L snapshot

(USD mn)	2H14	2H13	YoY	1H14	HoH	2H14e (DB)	% of diff	2H14e (consensus)	% of diff
Sales	4,546	2,521	80%	2,283	99%	2,574	77%	2,714	68%
Gross profits	282	123	128%	141	100%	173	63%	175	61%
Operating expense	68	37	82%	29	134%	46	46%	36	87%
Operating profits	214	86	148%	112	91%	127	69%	139	54%
Pre-tax	179	61	196%	89	102%	106	69%	124	45%
Net income	149	59	151%	50	198%	94	57%	105	42%
EPS	0.02	0.01	151%	0.01	198%	0.01	57%	0.01	42%

### Margin analysis

	2H14	2H13	1H14	2H14e	2H14e
Gross margin	6.2%	4.9%	6.2%	6.7%	6.4%
Operating margin	4.7%	3.4%	4.9%	4.9%	5.1%
Net margin	3.3%	2.3%	2.2%	3.7%	3.9%

Source: Deutsche Bank, Bloomberg Finance LP

### Stock data

Market cap (HKDm)	26,108
Market cap (USDm)	3,365
Shares outstanding (m)	7,212.3
Major shareholders	Foxcoon (Far East) Limited (69.49%)
Free float (%)	27
Avg daily value traded (USDm)	2.6

Source: Deutsche Bank

### Key data

FYE 12/31	2013A	2014E	2015E
Sales (USDm)	4,997	4,857	5,775
Net Profit (USDm)	76.9	144.3	263.4
DB EPS (USD)	0.01	0.02	0.04
PER (x)	46.4	23.3	12.8
Yield (net) (%)	0.0	0.0	0.0

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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