

## Bicycles - Asia Pacific

## Monthly bicycle industry tracker – Jan 2024

## Industry Overview

## TW OEMs revenue decline narrowed in January

According to BAC US aggregated credit and debit card data, bicycle spending declined by 16% YoY in Jan '24 (vs. -7% in Dec '23) and at 2% above 2019 level (vs. 16% in Dec '23). Taiwan bicycle manufacturers' Jan '24 revenue declined by 32% YoY (vs. down 44% YoY in Dec '23) and component manufacturers' revenue declined 10% YoY (vs. down 23% YoY in Dec '23).

## Jan '24 company updates

**Giant (9921 TT):** Giant reported Jan revenue of NT\$4.8bn (-18% YoY/+15% MoM). The OE business declined by 52% YoY. Overall OB sales declined slightly as strong revenue growth in China largely offset the decline in US/EU. China sales were up 65% YoY (cFX) in Jan (50% in Dec '23) thanks to strong demand of high-end bikes. US's OB sales declined by 33% YoY in Jan (vs. down 25% in Dec '23) due to destocking. EU's OB sales declined by 24% YoY in Jan (vs. down 54% in Dec '23) due to competitors' discounts and slow demand in winter season.

**Merida (9914 TT):** Merida reported Jan revenue of NT\$1.6bn (-31% YoY/+3% MoM). Shipment volume growth turned positive to +0.5% YoY (or +28% MoM). Implied average selling price (ASP) was down 32% YoY or -20% MoM. In Mainland China, revenue was up 188% YoY, driven by shipment/ASP growth of 75%/64% YoY in Jan' 24.

23 February 2024

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OE: Original Equipment Manufacturer

OB: own brand of GIANT

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Timestamp: 23 February 2024 05:19AM EST

# Bicycle company revenue trends

## Exhibit 1: Bicycle company monthly revenue (YoY %)

Taiwan bicycle/components manufacturers' revenue on average declined by 32%/10% YoY in Jan '24

Monthly revenue YoY % change	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	2023	Jan-24
<b>Bicycle manufacturers</b>														
Giant	-12.7%	-14.9%	-3.6%	20.3%	-3.4%	-13.5%	-29.1%	-22.9%	-20.9%	-34.4%	-28.1%	-25.8%	-16.4%	-17.7%
Merida	-9.5%	17.5%	1.1%	-11.2%	-6.5%	-28.0%	-15.7%	-32.4%	-38.6%	-54.9%	-56.8%	-56.4%	-26.4%	-31.1%
Ideal	0.6%	-5.5%	-15.5%	-25.6%	-16.0%	-56.1%	-57.4%	-41.5%	-40.9%	-28.2%	-46.1%	-49.5%	-34.3%	-48.2%
<b>Average</b>	<b>-7.2%</b>	<b>-1.0%</b>	<b>-6.0%</b>	<b>-5.5%</b>	<b>-8.6%</b>	<b>-32.5%</b>	<b>-34.1%</b>	<b>-32.2%</b>	<b>-33.5%</b>	<b>-39.2%</b>	<b>-43.7%</b>	<b>-43.9%</b>	<b>-25.7%</b>	<b>-32.3%</b>
<b>Component manufacturers</b>														
Cheng Shin Rubber (CSR)	-25.7%	15.7%	-2.2%	13.3%	2.8%	-8.2%	-6.0%	-5.2%	-3.2%	-3.2%	4.3%	-2.5%	-2.1%	42.9%
Kenda	-20.5%	-2.3%	-15.2%	-3.0%	-21.2%	-23.0%	-13.6%	-9.7%	-17.0%	-6.4%	9.0%	6.4%	-10.9%	17.1%
KMC	-45.4%	-19.0%	-28.1%	-27.0%	-38.7%	-40.0%	-36.7%	-35.9%	-44.9%	-34.1%	-26.5%	-15.8%	-33.9%	19.3%
Topkey	30.4%	38.0%	13.6%	7.2%	11.9%	-29.5%	-31.2%	-34.1%	-44.9%	-37.4%	-40.6%	-13.9%	-15.5%	-24.2%
Lee Chi	-60.8%	-27.9%	-54.3%	-50.6%	-71.8%	-75.6%	-70.7%	-71.3%	-74.0%	-63.1%	-53.6%	-52.1%	-62.7%	-14.4%
Sun race	-32.3%	-12.9%	-44.1%	-53.3%	-62.7%	-49.9%	-52.0%	-57.3%	-73.1%	-62.9%	-74.5%	-72.5%	-54.7%	-51.5%
Axman	34.8%	30.0%	29.1%	24.1%	17.0%	56.1%	26.8%	36.4%	-32.1%	-57.9%	-34.9%	-9.2%	1.2%	-55.9%
<b>Average</b>	<b>-17.1%</b>	<b>3.1%</b>	<b>-14.5%</b>	<b>-12.8%</b>	<b>-23.2%</b>	<b>-24.3%</b>	<b>-26.2%</b>	<b>-25.3%</b>	<b>-41.3%</b>	<b>-37.9%</b>	<b>-31.0%</b>	<b>-22.8%</b>	<b>-25.5%</b>	<b>-9.5%</b>

Source: Company data, BofA Global Research

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## Exhibit 2: Bicycle company quarterly revenue (YoY %)

Bicycle manufacturers' revenue declined by 43% on average in 4Q23

Bicycle company quarterly revenue YoY % change	2021	1Q22	2Q22	3Q22	4Q22	2022	1Q23	2Q23	3Q23	4Q23	2023
<b>Bicycle manufacturers</b>											
Giant	16.9%	8.3%	6.1%	30.0%	6.1%	12.4%	-9.7%	-1.2%	-24.5%	-29.8%	-16.4%
Merida	8.3%	1.7%	20.8%	26.4%	60.2%	25.8%	2.5%	-15.2%	-28.7%	-56.1%	-26.4%
Ideal	14.7%	23.6%	22.6%	34.5%	5.2%	20.8%	-7.8%	-33.8%	-45.5%	-42.4%	-34.3%
<b>Average</b>	<b>11.5%</b>	<b>11.2%</b>	<b>16.5%</b>	<b>30.3%</b>	<b>23.8%</b>	<b>19.7%</b>	<b>-5.0%</b>	<b>-16.8%</b>	<b>-32.9%</b>	<b>-42.8%</b>	<b>-25.7%</b>
<b>Component manufacturers</b>											
Cheng Shin Rubber (CSR)	5.8%	-10.3%	-6.0%	9.5%	-6.5%	-3.6%	-4.6%	1.9%	-4.8%	-0.5%	-2.1%
Kenda	15.3%	10.5%	14.1%	15.8%	0.7%	10.5%	-13.2%	-16.8%	-13.4%	2.4%	-10.9%
KMC	26.1%	7.5%	-5.9%	0.2%	-32.6%	-8.4%	-32.0%	-35.8%	-39.2%	-26.5%	-33.9%
Topkey	20.2%	8.6%	46.8%	35.0%	17.0%	26.2%	26.3%	-6.5%	-37.3%	-31.2%	-15.5%
Lee Chi	44.2%	21.4%	11.4%	25.9%	-33.5%	4.1%	-50.0%	-68.2%	-71.9%	-56.3%	-62.7%
Shimano (note)	49.0%	13.9%	20.4%	27.3%	6.5%	16.6%	-16.8%	-18.6%	-37.6%	-43.3%	-29.5%
Fox Factory	45.9%	34.4%	23.9%	17.8%	19.4%	23.4%	5.8%	-1.5%	-19.1%	-18.6%	-8.6%
<b>Average</b>	<b>29.5%</b>	<b>12.3%</b>	<b>15.0%</b>	<b>18.8%</b>	<b>-4.1%</b>	<b>9.8%</b>	<b>-12.1%</b>	<b>-20.8%</b>	<b>-31.9%</b>	<b>-24.9%</b>	<b>-23.3%</b>

Source: Company data

Note: Shimano sales only include bicycle component segment

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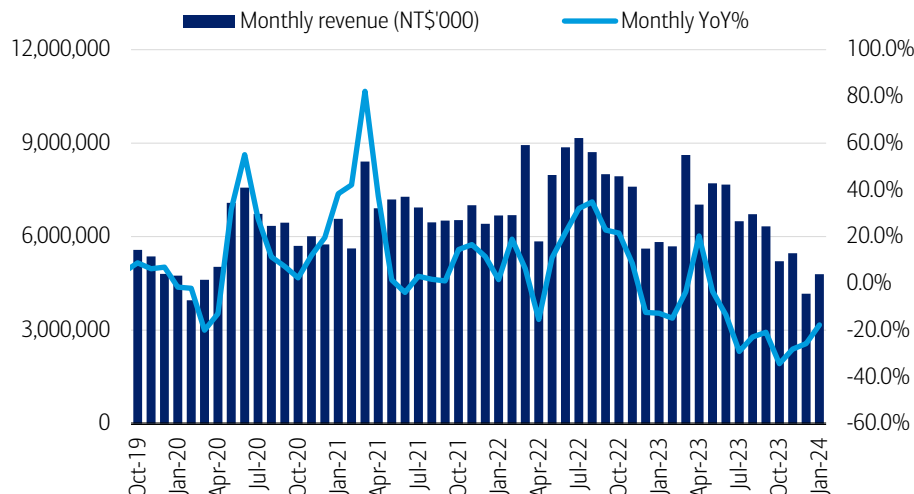
## Company Jan '24 updates

### Giant: Jan '24 revenue -18% YoY/+15% MoM

Giant reported Jan revenue of NT\$4.8bn (-18% YoY/+15% MoM). The OE business declined by 52% YoY. Overall OB sales declined slightly as strong revenue growth in China largely offset the decline in US/EU. China sales were up 65% YoY (cFX) in Jan (50% in Dec '23) thanks to strong demand of high-end bikes. US's OB sales declined by 33% YoY in Jan (vs. down 25% in Dec '23) due to destocking. EU's OB sales declined by 24% YoY in Jan (vs. down 54% in Dec '23) due to competitors' discounts and slow demand in winter season.

#### Exhibit 3: Giant monthly sales

Giant's Jan sales was down 18% YoY



Source: BofA Global Research, Company data

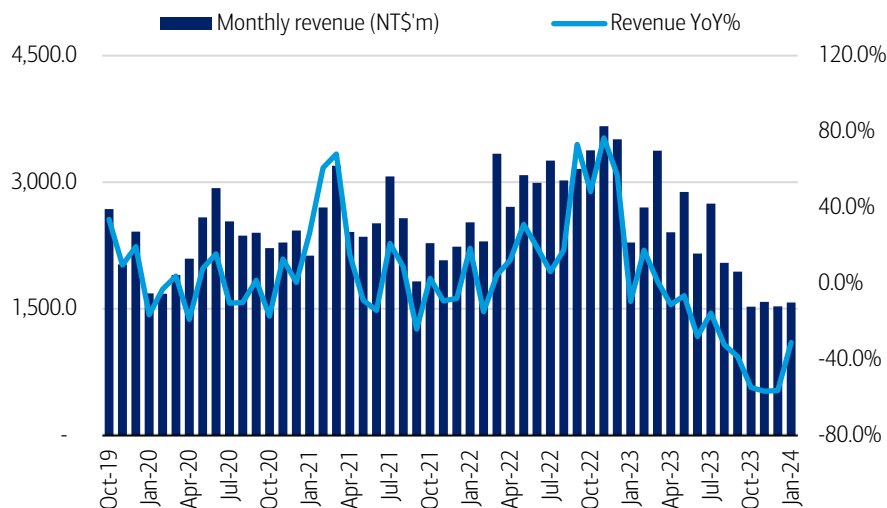
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### Merida: Jan' 24 revenue -31% YoY/+3% MoM, vol +0.5% YoY

Merida reported Jan revenue of NT\$1.6bn (-31% YoY/+3% MoM). Shipment volume growth turned positive to +0.5% YoY (or +28% MoM). Implied average selling price (ASP) was down 32% YoY or -20% MoM. In Mainland China, revenue was up 188% YoY, driven by shipment/ASP growth of 75%/64% YoY in Jan' 24.

**Exhibit 4: Merida monthly sales**

Merida's Jan sales declined by 31% YoY



Source: BofA Global Research, Company data

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## Industry demand trends

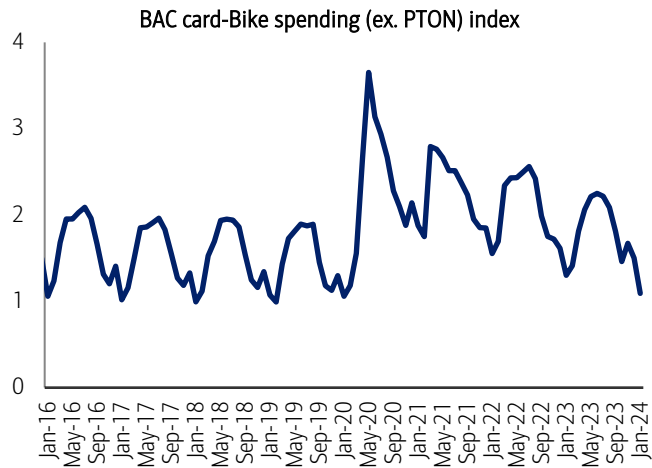
### US bicycle spending YoY declined 16% YoY in Jan '24

The global bicycle industry grew at a record pace in 2020, supported by a surge in consumer spending for outdoor activities (including cycling) during the pandemic ([see our Bicycle industry report](#)). Based on the BAC US aggregated credit and debit card data, we note spending on bicycles grew 57% YoY on average in 2020 after four consecutive years of decline (2016-19). In 2021, BAC US card spending on bicycles declined 5% YoY but remained elevated at 53% above 2019 level, which suggests end-market demand for bikes has not slowed down much in 2021. In Jan '24, bike spending declined by 16% YoY (vs. -7% in Dec '23) and at 2% above 2019 level (vs. 16% in Dec '23).

Please see the latest [BofA on USA: Weather and other seasonal factors 22 February 2024](#) report for methodology, disclaimers and limitations for BAC card data, and additional commentary on broader US retail trends from the BofA US Economics team.

**Exhibit 5: Spending on bicycles per BAC US aggregated card data**

Bicycle spending in the US surged since 2020 (dollar amount indexed to Jan 2010 =1)

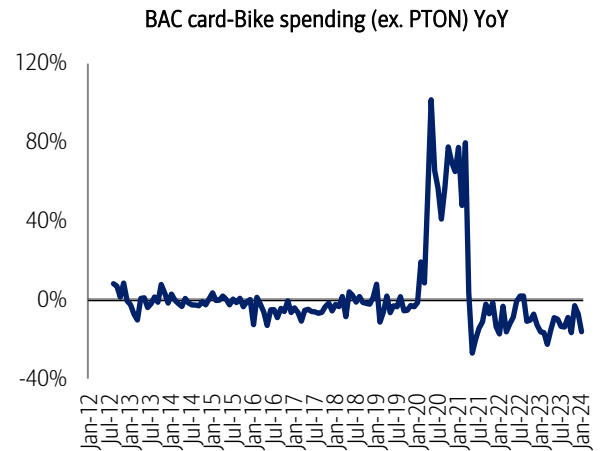


**Source:** BAC internal data. Includes spending on regular bikes and e-bikes. Excluding indoor/at home bikes.

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**Exhibit 6: Monthly spending on bicycles per BAC US aggregated card data, YoY change**

Spending in the US for bicycles declined by 18% YoY in Jan '24

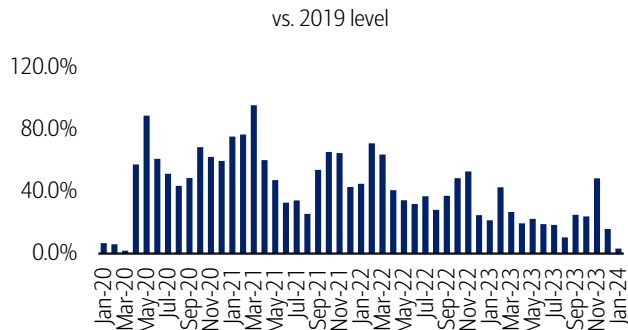


**Source:** BAC internal data. Includes spending on regular bikes and e-bikes. Excluding indoor/at home bikes.

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**Exhibit 7: Spending on bicycles based on BAC US aggregated card data (vs. 2019 level)**

Spending on bicycles in the US was 2% higher than 2019 level in Jan '23



**Source:** BAC internal data. Includes spending on regular bikes and e-bikes. Excluding indoor/at home bikes.

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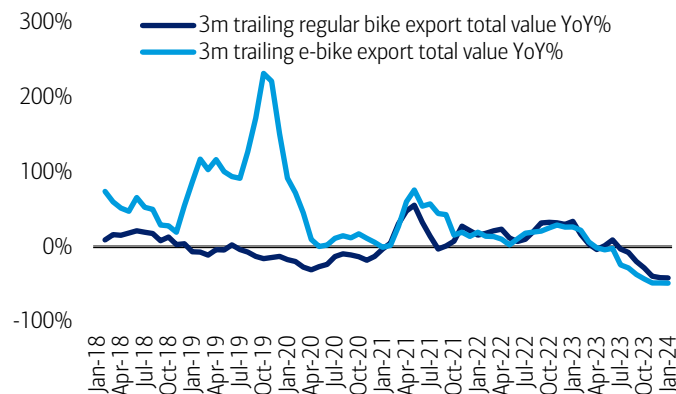
# Taiwan exports trends

## Taiwan exports

On a three-month trailing basis, in Jan '24, Taiwan's regular bike exports value fell 42% YoY (vs. down 41% YoY in Dec '23) and e-bike exports declined 49% YoY (vs. down 48% in Dec '23). E-bike accounted for 42% of total bike exports in value terms (vs. 46% in Dec '23).

### Exhibit 8: Taiwan exports - regular bikes and e-bikes values YoY (3-month trailing trend)

Export value for regular bike/e-bike was down 42%/49% YoY in Jan '24

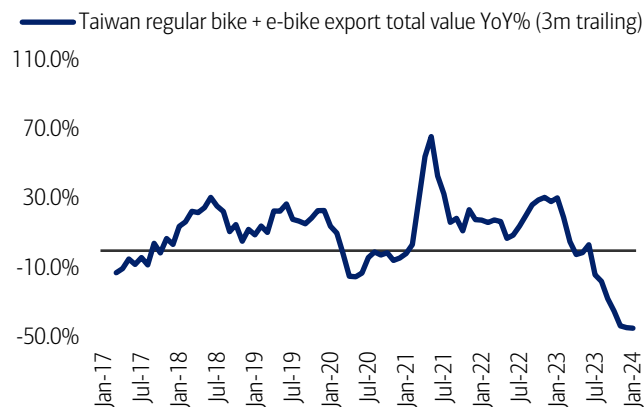


Source: Taiwan Customs

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### Exhibit 9: Taiwan bike exports total value YoY (3-month trailing)

Total bike export value fell 45% YoY in Jan '24

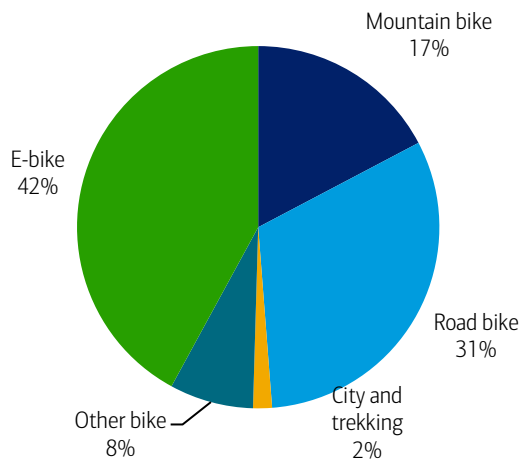


Source: Taiwan Customs

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### Exhibit 10: Taiwan bicycle (including e-bike) export mix by value

E-bike accounted for 42% of total bike exports in Jan '24



Source: Taiwan Customs

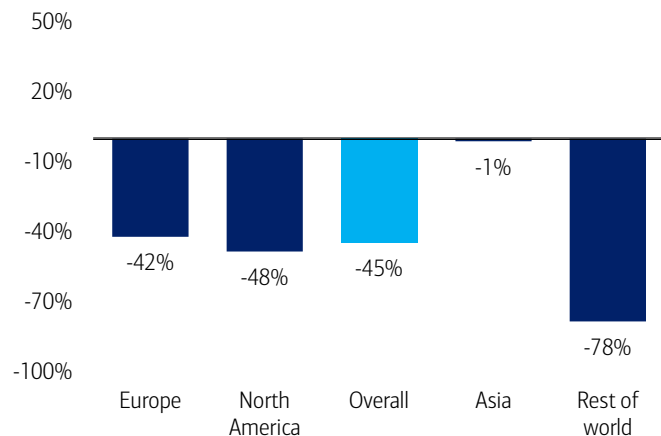
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## Regular bike

Regular bike exports value fell 45% YoY in Jan '24 (vs. down 34% YoY in Dec '23). Total export units were down 54% YoY to 75k units, with ASP +21% YoY to US\$1,123 in Jan '24. By destination, export value to Asia fell 1% YoY, but declined by 42%/48% in Europe/North America.

**Exhibit 11: TW export value trend - regular bike by destination**

Regular bike exports declined by 45% in Jan '23

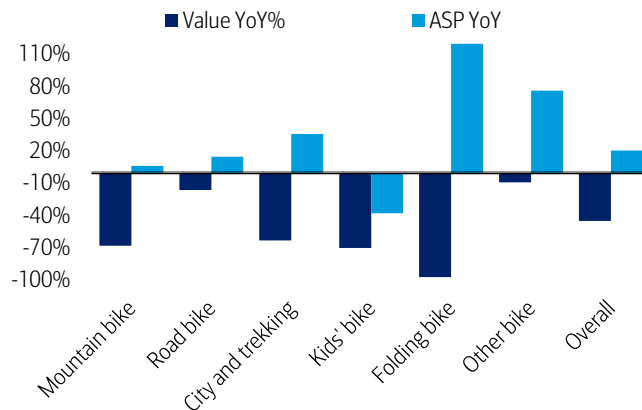


Source: Taiwan Customs

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**Exhibit 12: TW export value trend - regular bike by category**

Folding bike and kid's bike declined the most in Jan '24



Source: Taiwan Customs

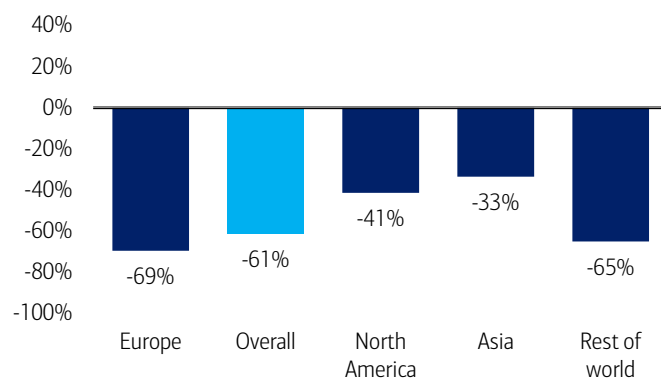
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**E-bike**

E-bike exports value fell 61% YoY in Jan '24 (vs. -40% YoY in Dec '23). Total export units fell 69% YoY at 3.1k units, while ASP was up 25% YoY at US\$1,921. E-bike export value to Asia declined the least at -33% YoY in Jan '24.

**Exhibit 13: Taiwan monthly e-bike exports YoY trend**

Total e-bike exports declined 61% YoY in Jan '24



Source: Taiwan Customs

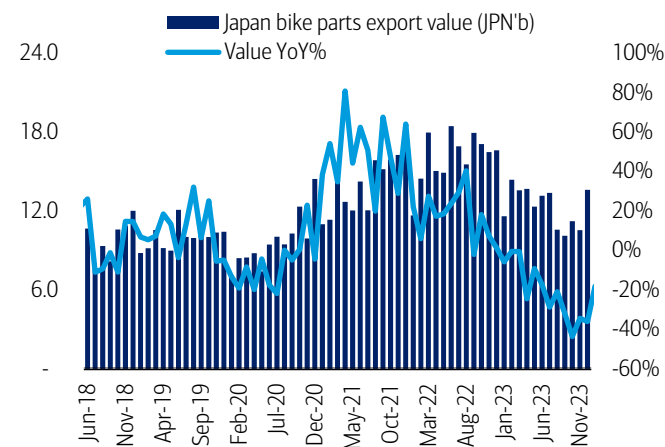
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## Japan bicycle components exports trend

We believe Japan's bicycle components export value could be considered as a proxy for Shimano's e-bike and high-end bike components revenue. Japan's bicycle component exports on average declined by 3% YoY in 2020 given COVID disruptions, but the data have been strong since Dec'20. In 2021, Japan's bicycle components export rose 46% YoY, which supports the strong demand for bike products. In Dec '23, bicycle component sales value fell 18% YoY, vs. -36% in Nov.

### Exhibit 14: Japan bicycle component exports

Dec '23 exports values fell 18% YoY

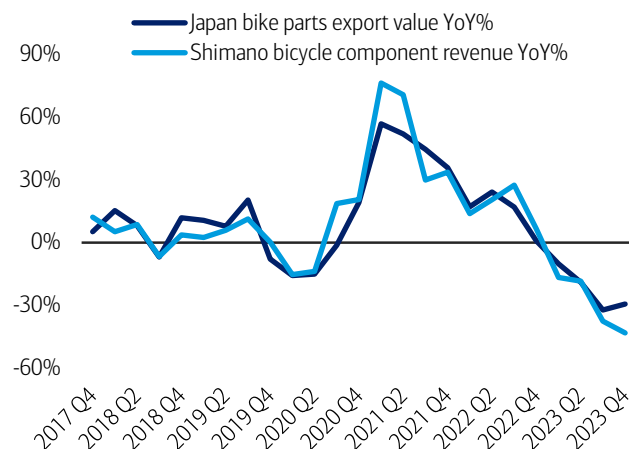


Source: Japan Ministry of Finance, BofA Global Research

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### Exhibit 15: Exports data vs. Shimano's bicycle component revenue

Japan's bicycle component revenue is highly correlated (c.98%) to Shimano's bicycle component revenue



Source: Japan Ministry of Finance, BofA Global Research

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# Sourcing costs

## Raw material price returning to normal level

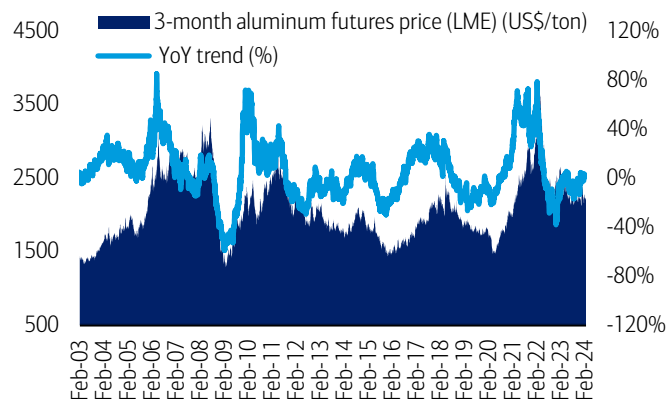
We estimate raw materials account for about 80% of a bike's production cost.

Aluminum, steel, carbon fiber and titanium are key inputs for frame materials. Steel, aluminum and carbon fiber are also commonly used as fork materials. Synthetic rubber is the primary material for tires.

We note aluminum prices have been rebounding since April 2020. In 2021, aluminum price rose 42% YoY. We saw some easing on aluminum prices starting July 2022 and this trend continued. Aluminum price declined by 6% YoY YTD, 2024.

### Exhibit 16: Aluminum historical price since 2003

Aluminum price declined 6% YTD, 2024

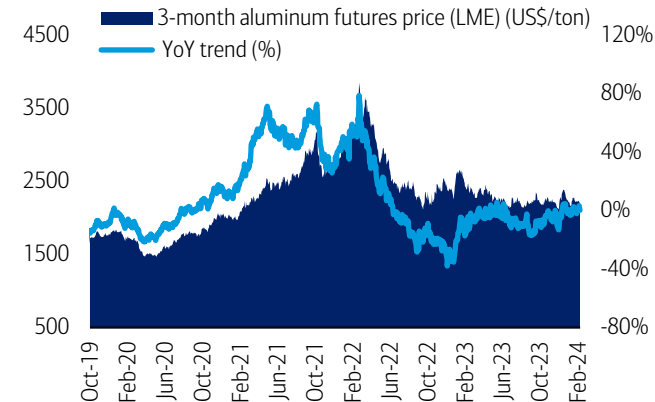


Source: Bloomberg

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### Exhibit 17: Aluminum historical price over the past three years

Aluminum price declined 6% YTD, 2024



Source: Bloomberg

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R1</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R1</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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