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## E Ink Holdings Inc. | Asia Pacific

January Sales Down 17% MoM,  
Up 10% YoY

✓ Stock Rating  
Equal-weight

👁 Industry View  
In-Line

🎯 Price Target  
NT\$200.00

## What's new:

- January sales were NT\$2,578mn (-17% MoM/+10% YoY), reaching 34% of our 1Q23 revenue estimate of NT\$7,515mn (-9% QoQ/+26% YoY) and 33% of consensus of NT\$7,753mn (-6% QoQ/+30% YoY).

## Our view:

- January revenue is tracking slightly ahead of our and consensus' 1Q23 estimates, though this is consistent with some recent market expectations.
- We maintain our view that E Ink might see slower revenue growth in 2023 (vs. 53% YoY in 2022 and tough comps of 84% YoY on both 2Q22/3Q22), as the ESL supply chain may need to digest excess inventories ([see related report](#)). In addition, a 10% YoY decline in SES-imagotag's 4Q22 order intake might cast some uncertainty regarding its component procurement in 1H23 from E Ink ([see related report](#)).
- That said, we remain positive on the secular trend of rising ESL penetration as system integrators are seeing good demand among retailers.
- Maintain EW and PT of NT\$200 (21x 2023e P/E).

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## E Ink Holdings Inc. ( 8069.TWO, 8069 TT )

Greater China Technology Hardware / Taiwan

Stock Rating	Equal-weight	
Industry View	In-Line	
Price target	NT\$200.00	
Up/downside to price target (%)	4	
Shr price, close (Feb 8, 2023)	NT\$193.00	
52-Week Range	NT\$255.00-126.50	
Sh out, dil, curr (mn)	1,137	
Mkt cap, curr (mn)	NT\$219,515	
EV, curr (mn)	NT\$222,549	
Avg daily trading value (mn)	NT\$4,804	

Fiscal Year Ending	12/21	12/22e	12/23e	12/24e
ModelWare EPS (NT\$)	4.53	9.33	9.67	12.28
EPS (NT\$)§	-	9.07	10.08	13.26
Revenue, net (NT\$ mn)	19,651	29,750	36,590	44,716
EBITDA (NT\$ mn)	3,796	10,714	13,158	17,391
ModelWare net inc (NT\$ mn)	5,150	10,617	10,997	13,968
P/E	33.3	17.2	20.0	15.7
P/BV	4.8	4.3	4.8	4.2
RNOA (%)	8.0	18.0	20.3	24.9
ROE (%)	16.6	29.7	25.8	30.2
EV/EBITDA	46.2	17.2	16.8	12.5
Div yld (%)	2.1	4.1	3.5	4.5
FCF yld ratio (%)**	1.0	3.3	3.2	5.0
Leverage (EOP) (%)	1.1	(4.7)	(3.3)	(9.2)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

§ = Consensus data is provided by Refinitiv Estimates

\*\* = Based on consensus methodology

e = Morgan Stanley Research estimates

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## Valuation Methodology and Risks

### **E Ink Holdings Inc. (8069.TWO)**

Base case, target 2023e P/E of 21x. We believe this valuation methodology better captures E Ink's earnings growth momentum. Since 2017, the stock's forward P/E multiple has been in a range of 7x to 27x, with an average of 14x. We think our 2023 target multiple is justified by the 39% earnings CAGR we expect in 2022-24 vs. 22% in 2017-21.

### **Risks to Upside**

- Firmer-than-expected ESL orders
- Stronger demand for e-readers and e-notes
- Better macro conditions
- Milder competition
- Brisker inventory digestion

### **Risks to Downside**

- Softer-than-expected ESL orders
- Slower demand for e-readers and e-notes
- Macro headwinds
- Intensified competition
- More protracted inventory digestion

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(as of January 31, 2023)

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	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
<b>Overweight/Buy</b>	<b>1360</b>	<b>37%</b>	<b>277</b>	<b>43%</b>	<b>20%</b>	<b>599</b>	<b>38%</b>
<b>Equal-weight/Hold</b>	<b>1672</b>	<b>45%</b>	<b>292</b>	<b>45%</b>	<b>17%</b>	<b>737</b>	<b>47%</b>
<b>Not-Rated/Hold</b>	<b>4</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Underweight/Sell</b>	<b>658</b>	<b>18%</b>	<b>82</b>	<b>13%</b>	<b>12%</b>	<b>232</b>	<b>15%</b>
<b>TOTAL</b>	<b>3,694</b>		<b>651</b>			<b>1568</b>	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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### Stock Price, Price Target and Rating History (See Rating Definitions)

E Ink Holdings Inc. (8069.TWO) - As of 2/7/23 in TWO  
Industry : Greater China Technology Hardware



Stock Rating History: 2/1/18 : NA/I; 6/23/22 : O/I; 11/15/22 : E/I

Price Target History: 6/23/22 : 275; 8/17/22 : 280; 11/15/22 : 200

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)

Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —

Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View

Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)

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COMPANY (TICKER)	RATING (AS OF)	PRICE* (02/08/2023)
<b>Andy Meng, CFA</b>		
BYD Electronics (0285.HK)	E (11/15/2022)	HK\$26.60
China TransInfo Technology Co Ltd (002373.SZ)	U (05/24/2021)	Rmb10.55
Dahua Technology Co. Ltd. (002236.SZ)	E (12/06/2022)	Rmb13.18
Genius Electronic Optical Co. Ltd. (3406.TW)	E (01/09/2023)	NT\$381.00
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb3.53
HIKVision Digital Technology (002415.SZ)	O (11/02/2015)	Rmb36.90
Largan Precision (3008.TW)	U (01/09/2023)	NT\$2,235.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	O (07/25/2022)	Rmb13.82
OFILM Group Co Ltd (002456.SZ)	E (11/04/2021)	Rmb5.15
Q Technology (Group) Company Ltd (1478.HK)	O (01/09/2023)	HK\$5.21
Quectel Wireless Solutions Co Ltd (603236.SS)	O (11/07/2022)	Rmb119.46
Shenzhen Transsion Holdings Co Ltd (688036.SS)	O (08/12/2021)	Rmb90.80
Sunny Optical (2382.HK)	E (01/09/2023)	HK\$102.00
Wingtech Technology Co Ltd (600745.SS)	O (05/18/2022)	Rmb57.96
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK\$12.46
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb34.87
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (12/17/2021)	HK\$14.48
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb99.00
YuTong Optical Technology Co Ltd (300790.SZ)	E (04/05/2022)	Rmb18.32
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb12.91
ZTE Corporation (0763.HK)	O (06/20/2019)	HK\$18.72
ZTE Corporation (000063.SZ)	U (07/02/2021)	Rmb26.75
<b>Derrick Yang</b>		
Advantech (2395.TW)	O (01/20/2021)	NT\$364.50
AirTAC International (1590.TW)	E (08/04/2022)	NT\$1,095.00
AU Optonics (2409.TW)	E (10/04/2022)	NT\$17.70
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb3.99
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT\$192.50
E Ink Holdings Inc. (8069.TWO)	E (11/15/2022)	NT\$193.00
Ennoconn Corporation (6414.TW)	O (01/20/2021)	NT\$229.50
Ennostar Inc (3714.TW)	U (09/23/2022)	NT\$50.30
GIS Holding Limited (6456.TW)	O (12/01/2020)	NT\$87.00
Hiwin Technologies Corp. (2049.TW)	E (08/11/2022)	NT\$246.50
Innolux (3481.TW)	O (10/04/2022)	NT\$13.05
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb13.31
Leyard Optoelectronic Co Ltd (300296.SZ)	E (11/03/2020)	Rmb6.17
Radiant Opto-Electronics Corporation (6176.TW)	O (12/01/2020)	NT\$104.00
Sanan Optoelectronics (600703.SS)	E (09/23/2022)	Rmb19.45
TCL Corp. (000100.SZ)	E (06/11/2019)	Rmb4.10
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb9.41
Visionox Technology Inc (002387.SZ)	E (02/18/2020)	Rmb6.56
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb60.96
Wuhu Token Science Co. Ltd. (300088.SZ)	E (12/01/2020)	Rmb6.69
<b>Green Cai</b>		
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb19.16
Eoptolink Technology Inc Ltd (300502.SZ)	E (12/01/2022)	Rmb28.58
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	O (12/01/2022)	Rmb32.72
Zhongji Innolight Co Ltd (300308.SZ)	E (12/01/2022)	Rmb33.10
<b>Howard Kao</b>		

Accton Technology Corporation (2345.TW)	E (11/12/2021)	NT\$274.00
Acer Inc. (2353.TW)	U (02/01/2018)	NT\$25.45
Asustek Computer Inc. (2357.TW)	U (07/23/2021)	NT\$277.50
Compal Electronics (2324.TW)	U (12/18/2019)	NT\$23.50
Flexium (6269.TW)	E (04/27/2018)	NT\$103.00
Giga-Byte Technology Co. Ltd. (2376.TW)	O (12/15/2022)	NT\$120.00
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT\$87.80
Guangdong Fenghua Adv. Tech. (Hldg) Co (000636.SZ)	E (05/12/2021)	Rmb16.99
Inspur Electronic Information (000977.SZ)	E (02/12/2019)	Rmb26.97
Kinsus Interconnect Tech. (3189.TW)	U (12/21/2022)	NT\$110.00
Lenovo (0992.HK)	E (07/26/2018)	HK\$6.58
Lotes Co. Ltd. (3533.TW)	O (10/06/2022)	NT\$833.00
Nan Ya PCB (8046.TW)	U (12/21/2022)	NT\$244.00
Pegatron Corporation (4938.TW)	E (03/07/2022)	NT\$66.20
Quanta Computer Inc. (2382.TW)	E (07/28/2021)	NT\$77.50
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb16.48
Shennan Circuits Co Ltd (002916.SZ)	O (07/22/2020)	Rmb79.20
Unimicron (3037.TW)	E (06/01/2022)	NT\$131.50
Wistron Corporation (3231.TW)	E (07/26/2018)	NT\$31.90
Wiwynn Corp (6669.TW)	E (01/09/2023)	NT\$850.00
Yageo Corp. (2327.TW)	O (01/04/2022)	NT\$531.00
Zhen Ding (4958.TW)	E (08/02/2022)	NT\$112.50

#### Lily Chou

Asia Vital Components Co. Ltd. (3017.TW)	E (10/07/2022)	NT\$115.00
Auras Technology Co Ltd (3324.TWO)	U (03/21/2022)	NT\$163.50
BizLink Holding Inc (3665.TW)	E (08/18/2022)	NT\$272.00
Cubic Sensor and Instrument Co Ltd (688665.SS)	E (08/18/2022)	Rmb107.30
SDI Corporation (2351.TW)	O (08/18/2022)	NT\$123.50
Sunonwealth Electric Machine Industry Co (2421.TW)	E (10/07/2022)	NT\$43.25

#### Sharon Shih

AAC Technologies Holdings (2018.HK)	++	HK\$19.74
Catcher Technology (2474.TW)	U (04/23/2021)	NT\$185.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT\$296.00
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb9.26
Foxconn Technology (2354.TW)	E (08/16/2016)	NT\$55.80
GoerTek Inc (002241.SZ)	E (12/05/2022)	Rmb21.34
Guangzhou Shiyuan Electronic Tech Co Ltd (002841.SZ)	E (10/28/2021)	Rmb63.18
Hon Hai Precision (2317.TW)	E (01/09/2023)	NT\$100.50
LandMark Optoelectronics Corporation (3081.TWO)	E (10/27/2022)	NT\$131.00
Lingyi Itech Guangdong Co (002600.SZ)	U (05/23/2022)	Rmb5.65
Lite-On Technology (2301.TW)	E (07/31/2020)	NT\$69.40
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb31.61
Tong Hsing (6271.TW)	E (03/18/2019)	NT\$235.00
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (07/06/2022)	NT\$84.80

Stock Ratings are subject to change. Please see latest research for each company.

\* Historical prices are not split adjusted.