



## Anker Innovations – A Rising Star of AIoT Brand from China

In a live dialogue with Elon Musk during the 2024 presidential campaign, Donald Trump pulled out a power bank to charge his phone. To the surprise of the global audience, the power bank in his hand bore a striking resemblance to a product from the Chinese brand Anker. A closer look revealed that it was the "ANKER Qi2 Certified Magnetic Bracket Power Bank", a product that has been winning hearts in both Chinese and international markets. Priced at 399 yuan on JD.com in China and 89.99 dollars on Amazon, this power bank is a symbol of Anker's blend of quality and innovation.



Anker Qi2 Certified Magnetic Bracket Power Bank

This wasn't just a random act of using a power bank. It was a vivid illustration of how innovative and user - friendly products from China are gradually making their way into the daily lives of people around the world.

As we stand on the cusp of a new era, the AIoT (Artificial Intelligence of Things) revolution is on the horizon. With smart devices becoming more integrated into our lives, Chinese innovative companies, like Anker, are well positioned to ride this wave.

### The explosion of AIoT applications, accelerating the expansion of Hundreds of Billion Dollars Market

The continuous innovation and integration of core technologies like 5G, AI, and big data are driving the development of AIoT (Artificial Intelligence of Things). The high speed and low latency of 5G ensure fast and stable data transmission

between IoT devices, laying the foundation for real-time smart applications. AI enhances the devices' intelligent perception and decision-making capabilities, enabling them to better understand and meet user needs, and providing personalized services. As a result, AIoT is in the process of becoming an important force driving social development and transformation, covering multiple fields such as manufacturing, payments, social interaction, construction, shopping, security, health, transportation, and education. For example, smart wearables like watches and fitness bands monitor heart rate and sleep data, which are analyzed by AI algorithms to offer personalized health advice and exercise plans.

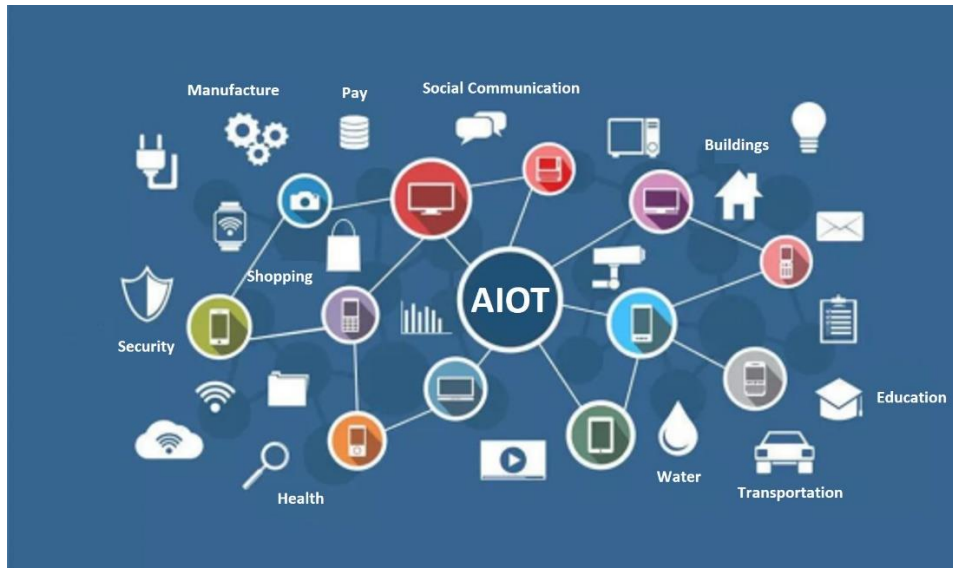
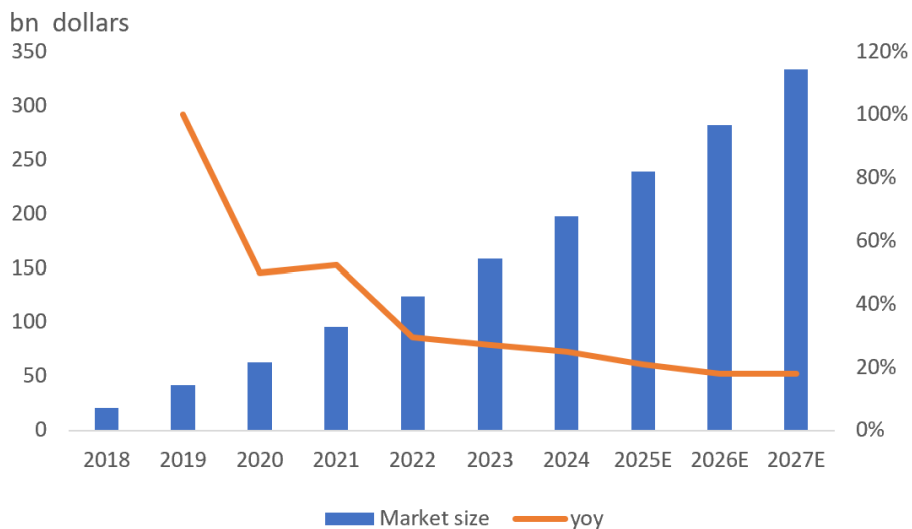


Chart 1 shows that the global consumer AIoT solution market was worth \$158.2 billion in 2023, up 27% year-on-year, and reached \$198 billion in 2024, representing a 25% increase. The market is projected to grow at a CAGR of nearly 20% over the next three years.

**Chart 1.** The Global Consumer AIoT Solution Market Size



Source: ASKCI, Bin Yuan Capital



**AIoT industry value chain - Significant value in upstream technology and downstream brand**

In the AIoT industry chain, the upstream driven by technology and the downstream driven branding power hold a larger share of the value chain. As you can see from Table 1, the upstream consists of core components such as chips, sensors, and cloud services, characterized by high technical barriers and significant R&D investment. These areas require long-term technological accumulation and patent layout. The midstream relies on scale production and cost control, with low added value, often subject to price competition and supply chain fluctuations, resulting in limited profit margins. The downstream brand segment, however, enjoys the highest added value and has the most sustainable profit potential. It directly reaches users, controls data assets, and builds ecosystem barriers, achieving high profits and low risks, making it the most strategically valuable part of the chain.

**Table 1.** Global Consumer AIoT Industry Chain Value Distribution

Industry Chain Segment	Value Share (%)	Avg. GM (%)	Key Company Examples	Key Characteristics
<b>Upstream</b>	45%			High technical barriers, strong patent monopolies
- Hardware Layer	25%	45%	Qualcomm MediaTek Bosch AMS Quectel	Technology-led, high barriers
- Software Layer	20%	55%	Google Apple AWS Alibaba Xiaomi	High-margin, ecosystem lock-in
<b>Midstream</b>	10%			Homogeneous competition, cost-sensitive
-ODM/OEM Manufacturing	10%	10%	Huaqin Longcheer Foxconn Luxshare Precision	Scale-driven Low-value-added segment Automation trend
<b>Downstream</b>	45%			Brand premium + data monetization
-Brand & Channels	45%	60%	Apple Amazon Anker Innovations Google Xiaomi	High margins, direct sales, User data assetization

Source: Bin Yuan Capital

## **The differentiation strategy of Chinese brands to break through the monopoly of global tech giants' platforms**

The global AIoT industry has been occupied by platform ecosystem companies who benefit from their large user base, strong technical capabilities, and brand recognition. They can build comprehensive ecosystems, increasing user stickiness and premium pricing power. Major tech giants like Amazon, Google, and Apple dominate the global AIoT industry, creating high barrier closed ecosystems. For instance, Apple's HomeKit leverages the ecosystem built around 1.7 billion active devices like iPhones and Apple Watches to dominate the premium market.

A batch of Chinese brands like Anker have managed to break through the monopoly by leveraging their unique differentiation strategies to focus on product innovation and user-friendly design. By thoroughly researching and analyzing market demands, they identify target user groups and launch differentiated products and services, rapidly responding to market needs and gaining market share.

Chinese companies have a significant competitive advantage in the AIoT applications. China's innovation is driven by its unique "romanticism" cultural trait. Rooted in the philosophy of harmony between people and nature, this trait sparks creativity in daily life, which gives China an edge in application innovation, especially in AIoT areas where user experience matters most. The advantages of the vast market, mature and complete supply chains, and strong manufacturing capabilities enable efficient large-scale production, cost reduction, and rapid market response, making Chinese brands key players in the global AIoT landscape. After becoming a leader in niche categories, Chinese brands are also gradually building ecosystems to enhance user stickiness and premium pricing power.

### **Anker Innovations: Moat construction with culture, technology and business model**

Anker Innovations is the world's leading mobile charging brand, specializing in mobile device accessories and smart hardware products. The company's main products include mobile power banks, USB chargers, charging cables, wireless earphones, wireless speakers, smart security devices, robotic vacuum cleaners, and other smart innovative products.

Anker Innovations, with its strengths in product technology, corporate culture, and unique business model, has built strong competitiveness in the AIoT industry.

### **Management Team with Rich Experience, Strong Technical Expertise and International Vision**

The founder, Yang Meng, holds a bachelor's degree in computer science from Peking University and a master's degree from the University of Texas at Austin, also in computer science. He previously served as a senior software engineer at Google and received Google's highest award, the "Founders' Awards." He founded Anker Innovations in 2011. The general manager, Zhao Dongping, has a bachelor's degree in systems engineering from Tianjin University and a master's degree in finance from London Business School. He previously served as the general manager of online sales and operations at Google China and as the marketing director for Dell Greater China and Korea. Other senior management members also have extensive experience in R&D, design, sales, and management positions at renowned high-tech companies, bringing rich practical experience to the industry.

## Excellent Corporate Culture

Anker Innovations fosters an innovative atmosphere internally, rewards valuable innovations, and motivates employees. It designs products focusing on user needs, emphasizes differentiation and functional innovation, and upgrades products according to user feedback, thus enhancing the user experience. The R&D expense to sales ratio of Anker stands at 8%, with over 2,100 R&D team members and more than 1,900 patents, covering key technology areas such as fast-charging protocols and acoustic algorithms...etc.

Anker also emphasizes user privacy and information security as part of its corporate culture. As AIoT devices become more prevalent and data grows, information security becomes a core user concern. The company strengthens product security properties through encryption algorithms and local data processing, further consolidating trust among high-end market users.

## Wide Range of AIoT Products

Anker has a wide range of IoT products that are integrated with AI technologies. Charging products incorporate AIoT technology, adding intelligent charging management and energy monitoring functions, providing personalized user experiences. For example, energy monitoring and management features can real-time monitor device charging status and energy consumption, offering power management suggestions to help users schedule electricity usage. Wireless audio products apply AIoT technologies like voice interaction, precise voice recognition and smart noise cancellation, delivering an immersive audio experience. Smart innovation products focus on smart home security and cleaning areas. The Eufy smart security camera allows remote monitoring and automatic alarms; the smart robotic vacuum cleaner automatically plans cleaning routes, enhancing cleaning efficiency and effectiveness.

## Business Model of Light Asset and Ecosystem

Relying on China's efficient supply chain system, the company outsources production through contract manufacturing. Fixed assets account for less than 1%, a figure significantly better than the industry average. This allows the company to focus resources on high value R&D and brand activities, while strengthening supply chain autonomy by investing in key component companies like Nanxin Semiconductor.

The company is not content with being a niche market leader. Instead, it is enhancing its ecosystem by achieving stable and efficient connections among different devices and coordinating control through a single APP, offering a better user experience and ecosystem stickiness.

## Valuation

We estimate Anker Innovations will grow earnings by a CAGR of 22% from 2024 to 2027, reaching RMB 3.6 billion in 2027. With a forward PE multiple of 25 times, this produces a valuation of RMB 89.5 billion, representing 60% upside and an annualized return of 17%.



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## Summary

The rapid expansion of the AIoT industry presents broad opportunities for Chinese brands. Their core competitiveness lies in breakthroughs in underlying technologies, superior user experience, and low-cost supply chains. Anker Innovations has established itself as a leader through technological innovation, differentiated competition, and efficient business models. By initially innovating in niche categories and later building a robust platform ecosystem, Anker has enhanced user stickiness and premium pricing, solidifying its significance in the global market. Moving forward, through ongoing R&D, expanding application scenarios, and enhancing data security and ecosystem synergy, Anker aims to increase its market share and become a leader in the AIoT industry.

Sincerely,

**Ping and the Team**

**February 7, 2025**

## Bin Yuan on the Road

January 16, 2024



**We visited Lenovo in Beijing city in Jan and had a conversation with the company's data center business leader Mr. Huang.**

We visited Lenovo in order to understand the market demand for AIDC both domestically and internationally, as well as Lenovo's progress in this business. Through the communication with Mr. Huang, the person in charge of the business, we learned that the company has deep cooperation with leading domestic Internet companies, including ByteDance and Alibaba, and has gained a good market share among these customers. Meanwhile, the management team thought that 2025 will be a year of explosive growth for various AI agents and applications, and the company's forward-looking layout in this area can bring new business growth in the

*"Lenovo aims to empower everyone and every business with AI, for a smarter world." – AIDC leader, Mr. Huang*

January 6, 2025



**We visited Sunny Optical, a leading domestic optical products company in Zhejiang, to understand the industry's development trends and the company's future plans.**

In 2024, Sunny Optical's profitability was greatly improved due to the increase in the gross profit margin of its mobile phone lenses and modules. In 2025, the company will continue to focus on improving the product structure of mobile phone lenses and modules, enhancing the level of automation and yield, and boosting the profitability. Benefiting from the popularization of assisted driving and autonomous driving, the market size is constantly growing. The company's automotive business has maintained steady growth. Its automotive lenses have achieved a global market share of over 30%, with obvious competitive advantages.

*"We will focus on enhancing the company's profitability and are confident that it will develop towards a better trend in 2025." – IRD, Mrs. Xu*

January 31, 2025



**We saw improvement in holiday spending numbers on improved consumer sentiment during the traditional Chinese Festival and expect the recovery to continue in the following quarters ahead.**

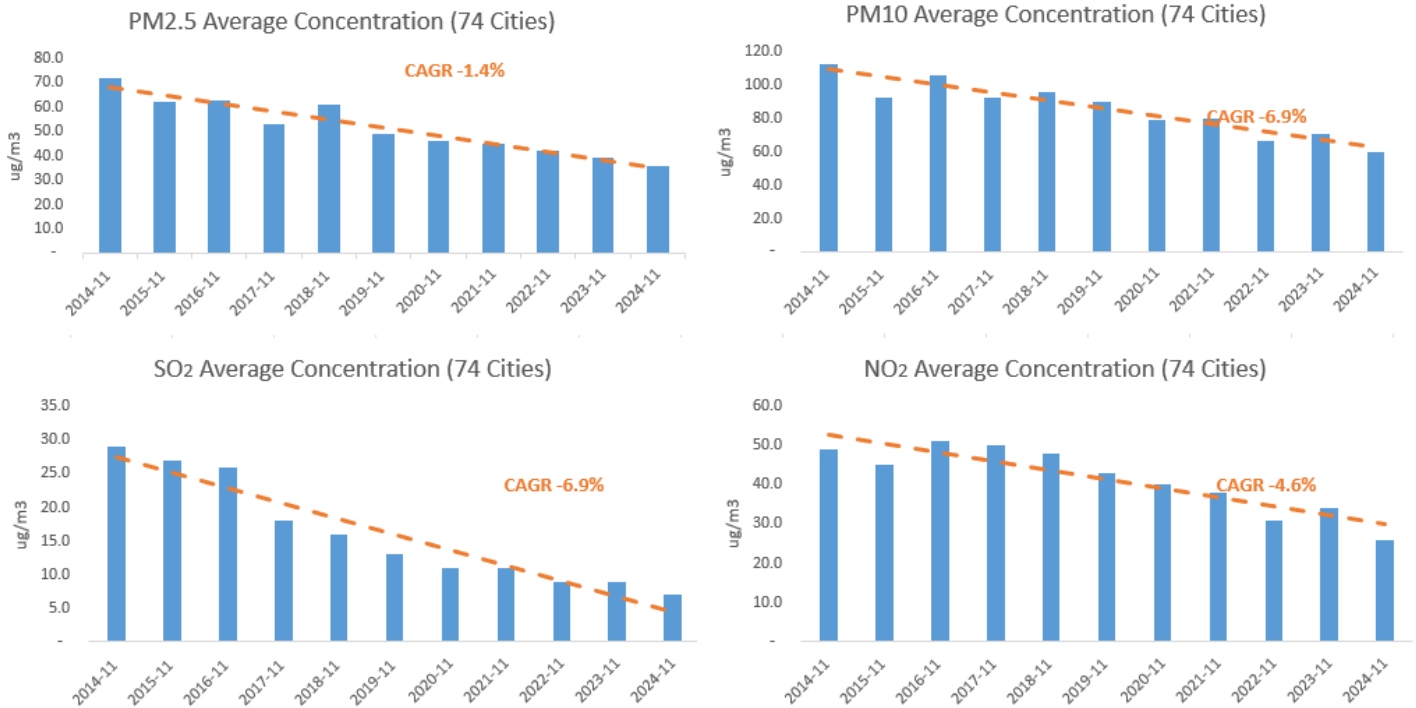
Revenue from monitored retailing and catering enterprises rose by 5.4% YoY; Domestic tourism revenue increased by 7.0% YoY with traffic of visitors up 5.9% and per capita spending up 1.0% in the weeklong holiday; Inbound visitors from nearby neighbors like Japan, Korea, Southeast Asian countries and Western countries like France, Spain, Australia etc. even more than doubled following easing inbound policies from China.

As one example of our on the ground observation, we did field visits to malls in Shijiazhuang, a third-tier city in northern China. Shops providing entertainment and experiences have increased with new amusement arcade, massage shops, ice stadium, dance studios etc. replacing some underperforming traditional retailers. New retailers like happiness seller, Pop Mart and Miniso, were also doing well. Various of visitors like couples, families, friends etc. crowd into the mall to have fun in the traditional Chinese Spring Festival holiday. Cinema was also full of movie-goers attracted by hot movies like *Ne Zha*. Popular restaurants saw queues of people waiting to dine in. We see sentiment gradually recovering and expect the recovery to last into the new year of 2025.

## Bin Yuan Environment Tracking

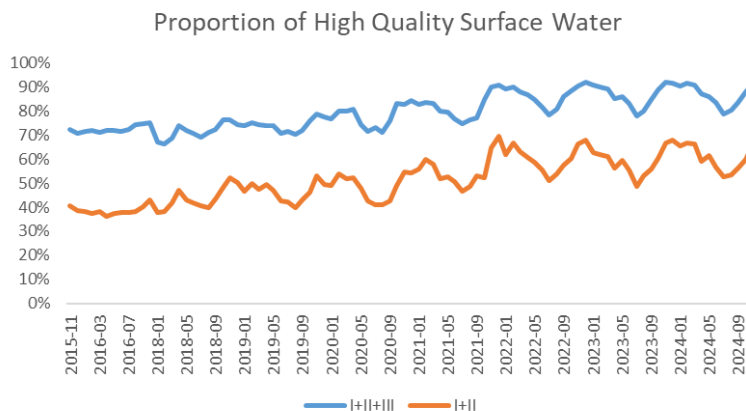
This tracking includes monthly air and water quality data, both showed steady improving trend in the last 5 years. Air pollution concentration dropped due to reduced coal combustion, increased proportion of new energy vehicles, and tightened emission control measures. Water quality improved mainly from the strengthen control of wastewater emissions since 2017.

### China air pollutant concentration data June 2016-2024



\*PM<sub>2.5</sub>, PM<sub>10</sub> and SO<sub>2</sub> are mainly from fossil fuel combustion, and NO<sub>2</sub> is mainly from vehicle emissions.

### The proportion of high-quality water in China data June 2016-2024



\*Water quality in China breaks down to 5 levels, with level I being the best and level V being the worst. Level I+II represents water that can be used for drinking purpose. Level I+II+III represents water that can directly contact human body.





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