

Technology

Apple FY2Q25 read-through: iPhone/China weakness and US\$900mn tariff cost; Mixed outlook into 2H25E

Apple (AAPL US, NR) reported in-line FY2Q25 (CY1Q25) results and also provided the framework for tariff impact for the next quarter. Overall, FY2Q revenue of US\$95.4bn (+5% YoY) and EPS of US\$1.65 (+8% YoY) were largely in-line with market expectations, thanks to better iPhone/iPad/Mac sales (+2%/15%/7% YoY) and services GPM, offsetting weakness of sales in China (-2% YoY) and wearables (-5% YoY). For FY3Q25E, mgmt. guided revenue growth of “low- to mid-single digit” and GPM of 45.5%-46.5%, including impact of US\$900mn tariff-related costs (20% on China imports). With tariff/trade/macro headwinds in near term, we are conservative on 2H25E outlook, especially potential iPhone sales decline given the delay of iOS/AI upgrade. Our analysis suggests Apple’s US\$900mn tariff cost in FY3Q implies it would absorb most of tariff cost impact, which will partly alleviate concerns on significant pricing pressure on supply chain. For stocks, we remain selective and prefer names with valuations corrected to attractive levels and diversified production bases (e.g. Vietnam/India). We are positive on Xiaomi (zero US exposure), BYDE (iPad in Vietnam), AAC Tech (components in Vietnam), FIT Hon Teng (components/AirPods in Vietnam), and Q-tech (zero Apple exposure, strong auto).

- **FY2Q25 better than feared on iPhone/iPad/Mac offsetting weak China/wearables.** By segment, iPhone/iPad/Mac sales climbed 2%/15%/7% YoY on new product launches, while wearables sales declined 5% YoY given difficult comparison against the launch of Apple Vision Pro last year. Services revenue reached all-time high, up 12% YoY, backed by double-digit growth in paid subscriptions and Apple Pay’s active users. All regions grew revenue in FY2Q25, except Greater China with 2% YoY decline (despite subsidy benefits).
- **FY3Q25 outlook: US\$900mn tariff cost, potential iPhone sales decline, India (iPhone) & Vietnam (iPad/Watch/AirPods).** Mgmt. guided FY3Q25 revenue to grow “low- to mid-single digit” YoY and GPM to come in at 45.5%-46.5%, including impact of US\$900mn tariff-related costs under current tariff policies. Other tariff-related highlights included: 1) no signs of demand pull-forward in FY2Q, 2) the majority (50%+) of iPhones sold in the US coming from India and almost all iPad/Mac/Watch/AirPods sold in the US from Vietnam, 3) the majority of tariff cost in FY3Q due to 20% rate on Chinese imports, 4) no guidance on tariff impact beyond June, implying lack of visibility in our view.
- **Implication for supply chain: macro/tariff headwinds remain in 2H25E; near-term tariff pressure partly alleviated.** Our analysis suggests Apple’s US\$900mn tariff cost in FY3Q implies it would absorb most of tariff impact (e.g. FY2Q US iPhone COGS = \$40bn product COGS x 68% iPhone x 30% US; Tariff impact = \$8.2bn COGS x 50% China x 20% tariff = \$820mn). Therefore, we believe it will partially alleviate market concerns of significant pricing pressure on supply chain. For stocks, we are selective and prefer names with valuations corrected to attractive levels and diversified production bases. We are positive on Xiaomi, BYDE, AAC Tech, FIT Hon Teng, and Q-tech.

Valuation Table

Name	Ticker	Rating	Mkt Cap		TP (LC)	Upside/Downside	P/E (x)		P/B (x)		ROE (%)	
			(US\$ mn)			FY25E FY26E	FY25E FY26E	FY25E FY26E	FY25E FY26E	FY25E FY26E		
Xiaomi	1810 HK	BUY	177,773	59.99	13%	31.1 25.6	4.5 3.9	14.6 15.3				
AAC Tech	2018 HK	BUY	5,772	58.78	54%	16.1 13.6	1.6 1.5	9.9 10.8				
BYDE	285 HK	BUY	9,768	43.22	29%	12.5 10.0	1.9 1.7	15.0 16.6				
FIT Hon Teng	6088 HK	BUY	1,977	3.86	84%	7.7 5.3	0.7 0.6	9.0 11.7				
Q-Tech	1478 HK	BUY	1,031	9.25	38%	12.6 10.0	1.3 1.2	10.3 11.6				

Source: Company data, CMBIGM estimates

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Figure 1: Apple's FY2Q25 (CY1Q25) results review

Apple Inc (AAPL US) US\$ bn	Actual			Consensus	
	FY2Q25	FY2Q24	YoY %	FY2Q25	Diff (%)
Revenue	95.4	90.8	5%	94.6	1%
EPS (US\$)	1.65	1.53	8%	1.62	2%
GPM	47.1%	46.6%	0.5 ppt	47.1%	-0.1 ppt
Product GPM	35.9%	36.6%	-0.6 ppt	36.2%	-0.3 ppt
Service GPM	75.7%	74.6%	1.1 ppt	73.9%	1.8 ppt
Product	68.7	66.9	3%	67.8	1%
iPhone	46.8	46.0	2%	45.9	2%
iPad	6.4	5.6	15%	6.1	5%
Mac	7.9	7.5	7%	7.8	3%
Wearables, Home and Accessories	7.5	7.9	-5%	8.0	-7%
Services	26.6	23.9	12%	26.7	0%
By region					
Americas	40.3	37.3	8%	40.0	1%
Europe	24.5	24.1	1%	24.6	-1%
Greater China	16.0	16.4	-2%	16.8	-5%
Japan	7.3	6.3	17%	6.5	13%
Rest of Asia Pacific	7.3	6.7	8%	7.4	-2%

Source: Bloomberg, company data, CMBIGM

Figure 2: Supply chain mapping and sales mix exposure (2024)

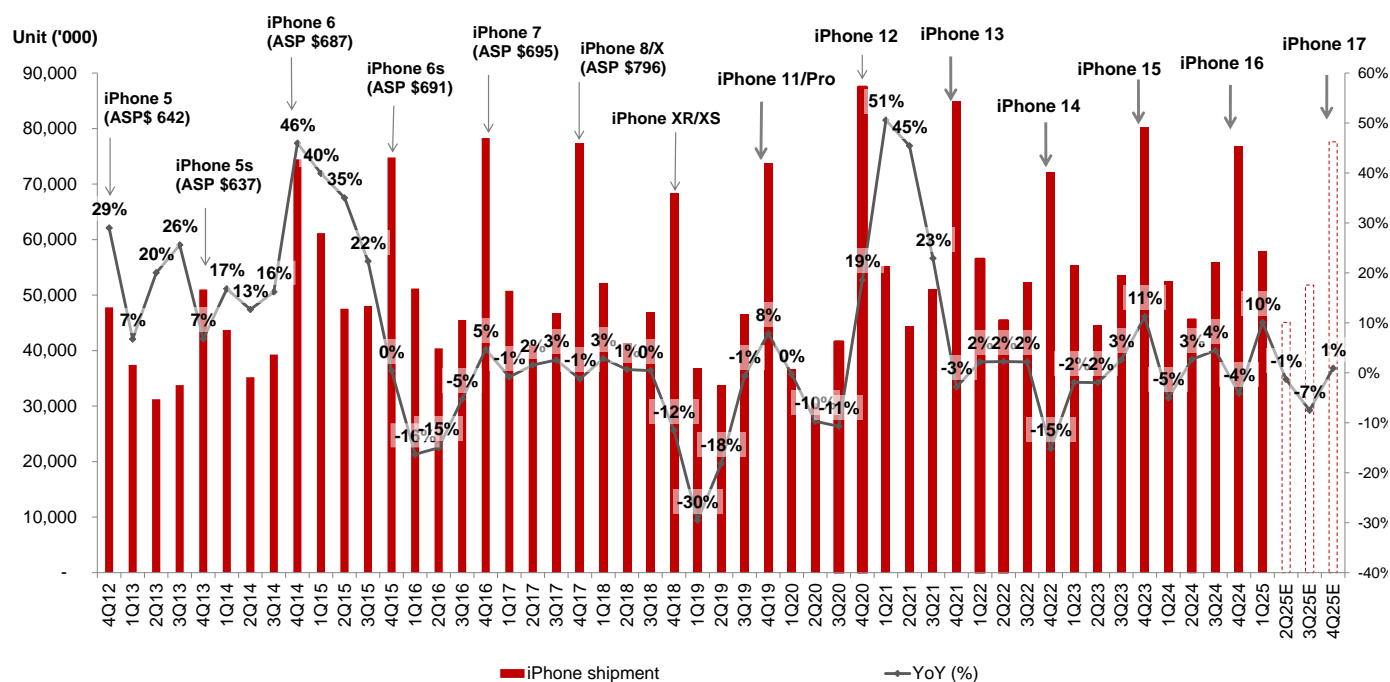
Company	Ticker	Apple	Huawei	Samsung	Other CN brands	Others	Major products
AAC Tech	2018 HK	25%	10%	10%	43%	12%	Acoustics, haptics, optics, casing
FIT Hon Teng	6088 HK	25%	-	-	-	75%	Connectors, AirPods, accessories, EV, servers
BYDE	285 HK	60%	5%	5%	15%	15%	Metal/glass/plastics casing, ODM/OEM, automobile
Tongda	698 HK	5%	5%	5%	50%	35%	Metal/plastic casing, waterproof materials
Q-Tech	1478 HK	-	5%	-	85%	15%	Camera modules/lenses, FPM, auto CCM
TK Group	2283 HK	10%	-	-	-	90%	Plastic molding, plastic precision
Truly	732 HK	-	-	3%	62%	35%	Camera modules, fingerprint, display modules
Cowell	1415 HK	90%	-	5%	-	5%	Camera modules
Luxshare	002475 CN	60%	10%	3%	-	27%	Wireless, iPhone/AirPods/Watch OEM, acoustics/haptics

Source: Company data, CMBIGM estimates

Figure 3: Apple OEM/ODM mapping and production capacity breakdown by region (2024)

Products	2024 Shipments	China	Vietnam	India	Thailand	Major OEM/ODM suppliers
iPhone	219mn	85-90%	-	10-15%	-	Hon Hai (China/India), Luxshare (China), Pegatron (China), Tata (India)
iPad	55mn	70-75%	25-30%	-	-	Hon Hai (China/Vietnam), BYDE (China/Vietnam), Compal (China/Vietnam)
AirPods	63mn	70-75%	25-30%	-	-	Luxshare (China/Vietnam), Goertek (China/Vietnam), FIT Hon Teng (Vietnam/India)
Watch	37mn	70-75%	25-30%	-	-	Hon Hai (China/Vietnam), Luxshare (China/Vietnam)
Mac	23mn	85%	-	-	15%	Quanta (China/Thailand), Luxshare (China)

Source: Company data, IDC, S&P, CMBIGM estimates

Figure 4: Apple's iPhone shipments by quarter (CY)

Source: Company data, IDC, CMBIGM

Figure 5: Peers valuation

			Mkt Cap	Price	TP	Up/Do wn	P/E (x)		P/B (x)		ROE (%)	
Company	Ticker	Rating	(US\$ mn)	(LC)	(LC)	-side	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Brand												
Apple	AAPL US	NR	3,204,509	213.32	NA	NA	29.4	26.8	45.9	36.3	176.8	187.3
Xiaomi	1810 HK	BUY	177,773	53.10	59.99	13%	31.1	25.6	4.5	3.9	14.6	15.3
Transsion	688036 CH	NR	11,749	74.92	NA	NA	13.6	11.6	3.5	2.9	26.6	28.0
Samsung	005930 KS	NR	229,683	54,300	NA	NA	11.2	9.2	0.9	0.8	7.9	9.0
LG	066570 KS	NR	8,256	70.600	NA	NA	7.6	6.0	0.6	0.5	7.4	8.7
TCL Electronics	1070 HK	NR	3,240	9.96	NA	NA	11.9	10.2	1.3	1.2	11.7	12.7
Average							17.5	14.9	9.4	7.6	40.8	43.5
ODM/EMS												
BYDE	285 HK	BUY	9,768	33.60	47.10	40%	11.4	9.2	1.9	1.6	16.3	17.7
Luxshare	002475 CH	BUY	30,748	30.85	55.09	79%	13.4	10.9	2.2	2.2	16.4	20.2
Hon Hai	2317 TT	NR	66,637	147.50	NA	NA	10.6	9.3	1.1	1.0	11.0	11.6
Average					51.10		11.8	9.8	1.7	1.6	14.6	16.5
Optics												
Q Tech	1478 HK	BUY	1,031	6.72	9.25	38%	12.6	10.0	1.3	1.2	10.3	11.6
Truly	732 HK	NR	400	0.98	NA	NA	-	-	-	-	-	-
Cowell	1415 HK	NR	2,582	23.20	NA	NA	13.1	10.2	3.7	2.8	31.8	30.8
Largan	3008 TT	NR	9,593	2,210.00	NA	NA	11.6	11.2	1.5	1.4	13.5	12.6
Genius	3406 TT	NR	1,386	378.00	NA	NA	10.6	9.9	1.6	1.4	15.8	15.6
O-Film	002456 CH	NR	5,133	11.27	NA	NA	42.9	34.5	8.1	7.2	12.5	13.4
Lg Innotek	011070 KS	NR	2,344	138,600	NA	NA	7.1	5.8	0.6	0.5	8.4	9.5
Average							16.3	13.6	2.8	2.4	15.4	15.6
Acoustics/Haptics												
AAC Tech	2018 HK	BUY	5,772	38.05	58.78	54%	16.1	13.6	1.6	1.5	9.9	10.8
Luxshare	002475 CH	BUY	30,748	30.85	55.09	79%	13.4	10.9	2.2	2.2	16.4	20.2
Merry	2439 TT	BUY	940	114.00	NA	NA	13.0	11.8	1.5	-	12.1	12.9
Knowles	KN US	NR	1,392	16.00	NA	NA	15.2	12.6	-	-	-	-
Nidec	6594 JP	NR	21,591	2,618.50	NA	NA	16.5	14.8	1.7	1.6	10.8	10.9
Average							15.6		1.8		11.8	
Connector												
FIT Hon Teng	6088 HK	BUY	1,977	2.10	3.86	84%	7.7	5.3	0.7	0.6	9.0	11.7
Luxshare	002475 CH	BUY	30,748	30.85	55.09	79%	13.4	10.9	2.2	2.2	16.4	20.2
TE	TEL US	NR	43,403	146.36	NA	NA	17.8	16.3	3.5	3.3	19.7	20.4
Amphenol	APH US	NR	95,111	78.63	NA	NA	30.1	27.4	8.0	6.7	30.0	27.6
Average							17.2		3.6		18.8	
Structured components												
BYDE	285 HK	BUY	9,768	33.60	43.22	29%	12.5	10.0	1.9	1.7	15.0	16.6
Tongda	698 HK	BUY	95	0.08	0.11	47%	4.0	2.9	0.2	0.2	5.9	7.4
TK Group	2283 HK	BUY	210	1.95	2.78	43%	5.4	4.2	0.9	0.8	15.9	18.3
Everwin	300115 CH	NR	4,012	21.52	NA	NA	34.6	27.3	3.2	2.0	9.5	8.6
Lens Tech	300433 CH	NR	14,260	20.81	NA	NA	20.0	16.0	2.0	1.8	10.2	11.8
Catcher	2474 TT	NR	4,890	221.00	NA	NA	13.8	13.7	-	-	6.3	5.6
Jabil	JBL US	NR	15,842	147.58	NA	NA	16.5	14.5	11.3	11.3	62.6	71.4
Average							15.1	12.5	3.2	3.0	18.1	20.1
Hinge												
AAC Tech	2018 HK	BUY	5,772	38.05	58.78	54%	16.1	13.6	1.6	1.5	9.9	10.8
Jiangsu Gian	300709 CH	NR	833	32.54	NA	NA	-	-	-	-	-	-
KH Vatec	060720 KS	NR	157	9,300.00	NA	NA	7.5	6.5	0.8	0.7	10.2	11.6
Foseltek	6805 TT	NR	1,068	479.00	NA	NA	15.3	10.0	4.9	3.8	34.2	38.8
Jarlytec	3548 TT	NR	269	125.00	NA	NA	13.5	16.9	1.3	1.2	9.7	7.4
NBTM	600114 CH	NR	1,697	20.02	NA	NA	21.1	16.7	4.1	3.6	18.7	20.1
Eontec	300328 CH	NR	988	10.41	NA	NA	-	-	-	-	-	-
Average								12.7	2.5	2.2	16.5	17.8

Source: Bloomberg, CMBIGM estimates; as of market close on 2 May 2025.

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