

Willsemi (603501 CH)

True beneficiary of accelerating domestic AI innovation & autonomous driving penetration

We have recently added Willsemi as one of our top picks, given that it is regarded as a true beneficiary of 1) AI apps proliferation among edge devices, 2) accelerating penetration of ADAS/AD features on smart vehicles and 3) localization trend of semiconductors. The company's CIS products are crucial in key end markets, including mobile/laptops, automobiles, AR/VR glasses and other AI-enabled products. We project Willsemi's revenue to grow by 27% YoY to RMB33bn in 2025E, driven by 25%/40% YoY growth from mobile/auto CIS sales. **Maintain BUY, with TP revised up to RMB176, corresponding to 41x 2025E P/E.**

■ **Willsemi's auto CIS sales to grow on 1) higher market growth (2024/25E: 3%/12%) from ADAS/AD democratization and 2) market share gains.** AD penetration rate is expected to accelerate as BYD has recently announced it will equip its proprietary "God's Eye" ADAS across its entire fleet, including models below RMB100k ([news](#)). **We project the auto CIS market to expand on greater camera shipment** (10% more cameras installed per vehicle) and a mild benefit to ASP driven by resolution upgrade to 8MP. Based on our forecast, **Willsemi became No.1 supplier in auto CIS market in 2024 by value**, surpassing Onsemi (ON US, NR) for the first time (est. 37% vs. 34%). We think the company will **continue its market share expansion** in the coming years, **given its 1) full range of auto CIS products offerings** (i.e., 8MP OX08D10 and 12MP OX12A10) and **2) a stronger supply chain partnership with domestic automakers.**

■ **China's DeepSeek momentum to continue consolidating towards edge devices, with Willsemi as a true beneficiary.** We have previously highlighted that DeepSeek is [a disruptive milestone](#), allowing vertical segment to independently develop their own LLM or AI-driven functionalities catered to their specific needs. We think Willsemi stands to gain from 1) resumed replacement cycle of mobiles/laptops driven by new AI-features and domestic consumption incentives (trade-in schemes/consumer electronic subsidies), 2) incremental demand from edge-AI devices, such as AI glasses and robotics. We project Willsemi's mobile CIS sales will grow by 25%/20% in 2025/26E.

■ **Maintain BUY, with TP revised up to RMB176.** We expect AI-driven features will continue to proliferate across consumer electronics. Willsemi's CIS products span across smartphones, auto, security, IoT, notebooks, and medical sectors, all of which present new AI-driven market opportunities. We revise up 2025E NP forecast by 5%, reflecting better margin on auto CIS (higher resolution and tighter supply). New TP is based on 41x 2025E P/E (vs. prev. 32x), close to 2-year historical avg. (43x) and equal to 2024-26E NP CAGR of 41% (PEG ~1.0). We revise up the valuation multiple as we believe the company will see further re-rating opportunities with increasing exposure to AI applications.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	20,078	21,021	25,791	32,655	39,525
YoY growth (%)	(16.7)	4.7	22.7	26.6	21.0
Gross margin (%)	30.8	21.8	30.0	32.2	32.2
Net profit (RMB mn)	990.1	555.6	3,267.7	5,108.4	6,485.3
YoY growth (%)	(77.9)	(43.9)	488.1	56.3	27.0
EPS (Reported) (RMB)	0.84	0.47	2.75	4.29	5.45
P/E (x)	182.1	325.5	55.7	35.6	28.1

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **RMB176.00**
(Previous TP **RMB130.00**)
Up/Downside **15.0%**
Current Price **RMB152.99**

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Stock Data

Mkt Cap (RMB mn)	182,062.9
Avg 3 mths t/o (RMB mn)	2,562.3
52w High/Low (RMB)	157.96/82.70
Total Issued Shares (mn)	1190.0

Source: FactSet

Shareholding Structure

Yu Renrong	27.4%
SX WEIHAO EQU INVEST	6.1%
FUND ENT LP	

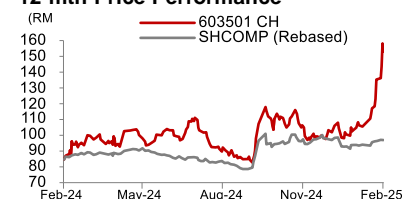
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	45.9%	41.3%
3-mth	44.5%	45.3%
6-mth	65.8%	41.8%

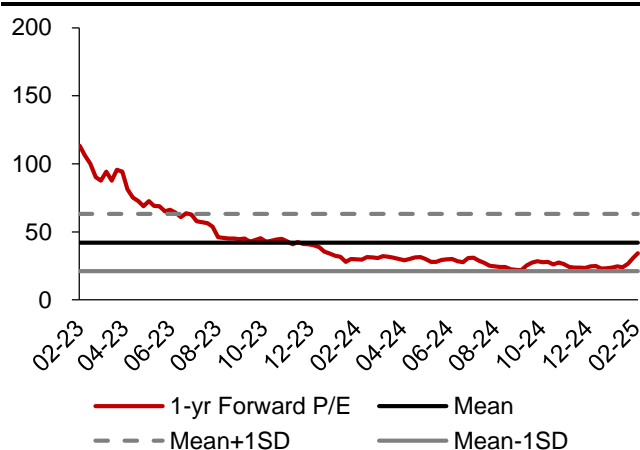
Source: FactSet

12-mth Price Performance



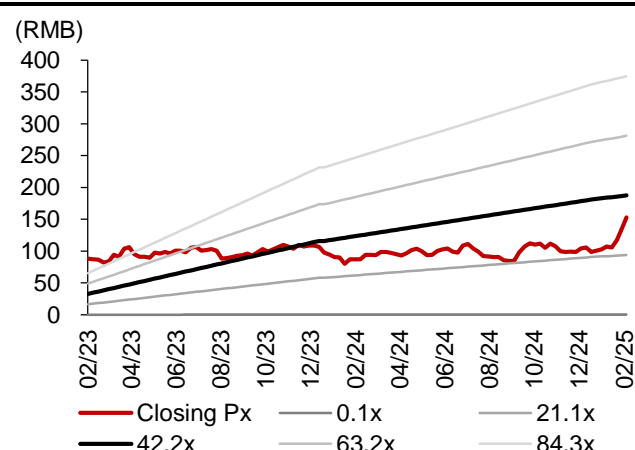
Source: FactSet

Figure 1: 1-yr forward PE band



Source: Company data, Bloomberg

Figure 2: PE chart



Source: Company data, Bloomberg

Figure 3: Earnings revisions

RMB(mn)	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	25,791	32,655	39,525	26,119	31,213	36,145	-1%	5%	9%
Gross profit	7,725	10,499	12,744	7,762	9,551	11,424	0%	10%	12%
Net profit	3,268	5,108	6,485	3,374	4,706	6,075	-3%	9%	7%
EPS (RMB)	2.746	4.293	5.450	2.840	3.950	5.110	-3%	9%	7%
Gross margin	30.0%	32.2%	32.2%	29.7%	30.6%	31.6%	0.2 ppt	1.6 ppt	0.6 ppt
Net margin	12.7%	15.6%	16.4%	12.9%	15.1%	16.8%	-0.2 ppt	0.6 ppt	-0.4 ppt

Source: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates vs. Bloomberg consensus

RMB(mn)	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	25,791	32,655	39,525	26,275	31,375	36,624	-2%	4%	8%
Gross profit	7,725	10,499	12,744	7,783	9,829	11,831	-1%	7%	8%
Net profit	3,268	5,108	6,485	3,325	4,667	5,820	-2%	9%	11%
EPS (RMB)	2.746	4.293	5.450	2.656	3.724	4.746	3%	15%	15%
Gross margin	30.0%	32.2%	32.2%	29.6%	31.3%	32.3%	0.3 ppt	0.8 ppt	-0.1 ppt
Net margin	12.7%	15.6%	16.4%	12.7%	14.9%	15.9%	0 ppt	0.8 ppt	0.5 ppt

Source: Company data, CMBIGM estimates, Bloomberg consensus

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	24,104	20,078	21,021	25,791	32,655	39,525
Cost of goods sold	(15,790)	(13,903)	(16,446)	(18,066)	(22,156)	(26,781)
Gross profit	8,314	6,175	4,574	7,725	10,499	12,744
Operating expenses	(3,292)	(3,719)	(3,297)	(3,981)	(4,443)	(5,101)
Selling expense	(515)	(516)	(467)	(645)	(686)	(790)
Admin expense	(23)	(25)	(33)	(40)	(51)	(61)
SG&A expense	(685)	(765)	(623)	(722)	(751)	(909)
R&D expense	(2,110)	(2,496)	(2,234)	(2,639)	(3,037)	(3,439)
Others	42	82	60	64	82	99
Operating profit	5,022	2,456	1,277	3,744	6,056	7,644
Other income	5	5	26	52	82	89
Other expense	(3)	(2)	(2)	(3)	(3)	(4)
Gain/loss on financial assets at FVTPL	(178)	(1,425)	(367)	(269)	(293)	(313)
Investment gain/loss	614	1,047	73	84	86	87
Other gains/(losses)	(103)	(186)	140	(17)	(21)	(24)
EBIT	5,358	1,895	1,148	3,590	5,907	7,478
Interest income	25	27	96	337	388	429
Interest expense	(410)	(494)	(534)	(314)	(314)	(315)
Net Interest income/(expense)	(385)	(467)	(438)	22	73	114
Other income/expense	29	(127)	(19)	0	0	0
Pre-tax profit	5,002	1,301	691	3,613	5,980	7,592
Income tax	(456)	(343)	(148)	(361)	(897)	(1,139)
After tax profit	4,546	958	544	3,251	5,083	6,453
Minority interest	70	(32)	(12)	(16)	(25)	(32)
Net profit	4,476	990	556	3,268	5,108	6,485

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	20,296	19,613	20,264	21,613	27,651	34,004
Cash & equivalents	7,671	4,026	9,086	9,671	13,197	18,653
Account receivables	2,878	2,502	4,031	4,366	5,689	6,152
Inventories	8,781	12,356	6,322	6,538	7,588	7,852
Prepayment	220	236	221	516	588	711
Financial assets at FVTPL	15	14	133	12	12	12
Other current assets	730	479	472	510	578	625
Non-current assets	11,784	15,577	17,479	17,774	18,012	18,311
PP&E	1,863	2,047	2,586	3,072	3,160	3,144
Right-of-use assets	236	209	176	158	150	151
Intangibles	1,604	2,018	2,305	2,206	2,124	2,043
Goodwill	2,998	3,169	3,861	3,864	3,864	3,864
Other non-current assets	5,084	8,134	8,551	8,473	8,713	9,108
Total assets	32,080	35,190	37,743	39,387	45,663	52,316
Current liabilities	8,700	10,373	9,069	8,543	8,587	8,729
Short-term borrowings	2,387	3,632	2,671	1,825	1,101	765
Account payables	2,574	1,128	1,663	2,297	2,560	2,723
Tax payable	589	145	229	186	246	265
Other current liabilities	2,746	5,079	4,055	3,774	4,103	4,308
Contract liabilities	149	125	187	219	278	336
Accrued expenses	255	263	264	243	300	333
Non-current liabilities	7,076	6,717	7,180	7,341	8,687	9,051
Long-term borrowings	3,448	2,750	2,977	2,994	4,051	4,101
Bond payables	2,250	2,347	2,444	2,503	2,503	2,503
Obligations under finance leases	179	145	122	120	144	162
Deferred income	34	24	25	29	32	38
Other non-current liabilities	1,166	1,451	1,611	1,695	1,957	2,247
Total liabilities	15,776	17,090	16,248	15,884	17,274	17,780
Share capital	876	1,185	1,216	1,216	1,216	1,216
Retained earnings	8,049	8,572	9,008	12,075	16,936	23,050
Other reserves	7,274	8,261	11,227	10,184	10,235	10,300
Total shareholders equity	16,198	18,018	21,451	23,475	28,387	34,566
Minority interest	106	82	44	28	2	(30)
Total equity and liabilities	32,080	35,190	37,743	39,387	45,663	52,316

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	4,546	958	544	3,251	5,083	6,453
Depreciation & amortization	927	1,045	1,166	1,194	1,309	1,471
Change in working capital	(3,564)	(5,300)	5,175	38	(1,715)	(308)
Others	284	1,303	651	(163)	413	284
Net cash from operations	2,192	(1,993)	7,537	4,320	5,089	7,900
Investing						
Capital expenditure	(1,122)	(2,259)	(1,048)	(1,190)	(1,372)	(1,525)
Net proceeds from disposal of short-term investments	3	7	7	32	40	44
Others	(1,780)	(1,765)	(1,422)	5	(28)	(32)
Net cash from investing	(2,899)	(4,017)	(2,464)	(1,152)	(1,360)	(1,512)
Financing						
Dividend paid	(569)	(822)	(574)	(482)	(511)	(622)
Net borrowings	3,066	3,242	(2,009)	(997)	332	(285)
Proceeds from share issues	1,203	273	3,394	(862)	0	0
Others	(767)	(438)	(875)	(170)	(24)	(24)
Net cash from financing	2,932	2,255	(64)	(2,511)	(203)	(931)
Net change in cash						
Cash at the beginning of the year	5,423	7,630	3,995	9,055	9,644	13,169
Exchange difference	(18)	120	51	(69)	0	0
Others	2,226	(3,755)	5,009	657	3,526	5,456
Cash at the end of the year	7,630	3,995	9,055	9,644	13,169	18,625
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	21.6%	(16.7%)	4.7%	22.7%	26.6%	21.0%
Gross profit	40.2%	(25.7%)	(25.9%)	68.9%	35.9%	21.4%
Operating profit	63.9%	(51.1%)	(48.0%)	193.2%	61.8%	26.2%
EBIT	64.0%	(64.6%)	(39.4%)	212.7%	64.5%	26.6%
Net profit	65.4%	(77.9%)	(43.9%)	488.1%	56.3%	27.0%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	34.5%	30.8%	21.8%	30.0%	32.2%	32.2%
Operating margin	20.8%	12.2%	6.1%	14.5%	18.5%	19.3%
Return on equity (ROE)	32.6%	5.8%	2.8%	14.5%	19.7%	20.6%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	2.3	1.9	2.2	2.5	3.2	3.9
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	39.9	182.1	325.5	55.7	35.6	28.1
P/E (diluted)	39.9	182.1	325.5	55.7	35.6	28.1

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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