

Hua Hong Semi (1347 HK)

Improving mix and scale, yet valuation stretches

Hua Hong released its 4Q25/FY25 results. 4Q25 revenue rose 22.4% YoY / 3.9% QoQ to US\$660mn, a quarterly record, driven by high utilization and robust shipments. GPM was 13.0% in 3Q, down from 13.5% in 3Q but in line with mgmt.'s guidance. Net profit was US\$17mn in 4Q, down 53.4% QoQ mainly due to higher labor costs. For FY25, revenue increased 20% YoY to US\$2.4bn (in line with our estimates and BBG consensus), while GPM was 11.8%, also in line with our estimates and BBG consensus, partly offset by higher depreciation. Looking ahead, mgmt. guides 1Q26 revenue at US\$650-660mn and GPM at 13-15%. While we believe the Company executed well in maintaining a high utilization rate and accelerating its 12-inch product mix in 2025, the current share price appears rich. **Maintain HOLD with TP adjusted to HK\$80 (2.9x 2026E P/B).**

- **Product mix continued to improve in FY25, driven by 12-inch exposure and higher-value specialty platforms.** The Company maintained a high utilization rate of ~106% in FY25 and ~104% in 4Q25, with the slight QoQ decline mainly due to the ongoing ramp-up of 12-inch capacity. Sequential revenue growth was increasingly driven by 12-inch shipments, which accounted for ~60% of FY25 revenue (vs. ~50% in FY24). By technology platform, Analog & Power Management revenue grew 41% YoY on growing AI demand, Embedded NVM increased 31% YoY, and Standalone NVM also delivered solid 23% YoY growth, benefiting from the broader global memory shortage. We expect to see ASP improvement particularly for its 12-inch wafer capacity while ASP upside for 8-inch may be limited.
- **Fab 5 (HLMC) acquisition and Fab 9B expansion will further strengthen 12-inch capacity and market positioning.** The Company recently announced the acquisition of Shanghai Huali Microelectronics (HLMC) at a valuation of RMB8.3bn ([link](#)), which is expected to add ~40k 12-inch wafers per month of 65/55nm-40nm capacity upon completion, per mgmt.. We view the acquisition as strategically meaningful, enhancing Hua Hong's scale and market position, while mgmt. highlighted its win-win nature, including reduced competitive overlap. Additionally, Fab 9B (second 12-inch production line at Wuxi) capacity ramp-up is expected to commence this year, with planned capacity mirroring the existing Fab 9A (~83k 12-inch wafers at full ramp).
- **Valuation is supported by structural improvements, but upside remains capped at current price level.** Despite an improving revenue mix and capacity additions, we expect continued depreciation pressure and elevated capex intensity from the Fab 9A ramp-up and Fab 9B build-out. Maintain HOLD with TP adjusted to HK\$80, based on 2.9x 2026E P/B (previously 2.4x), corresponding to +1SD above one-year forward average. **Risks:** Upside catalysts include stronger-than-expected ASP upside; downside risks include weaker end-market demand, pricing pressure, and supply-chain disruptions.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	2,004	2,402	3,116	3,743	3,801
YoY growth (%)	(12.3)	19.9	29.7	20.1	1.5
Gross margin (%)	10.2	11.8	15.9	18.3	18.0
Net profit (US\$ mn)	58.1	54.9	157.4	338.2	326.0
YoY growth (%)	(79.2)	(5.6)	186.8	114.8	(3.6)
P/B (x)	3.5	3.2	3.6	3.5	3.4

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price	HK\$80.00
(Previous TP	HK\$68.00)
Up/Downside	(19.0%)
Current Price	HK\$98.75

China Semiconductors

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Stock Data

Mkt Cap (HK\$ mn)	190,281.4
Avg 3 mths t/o (HK\$ mn)	2,452.5
52w High/Low (HK\$)	122.70/25.65
Total Issued Shares (mn)	1926.9

Source: FactSet

Shareholding Structure

Shanghai Hua Hong International	26.1%
XINXIN HK Capital	12.1%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	10.1%	11.3%
3-mth	25.6%	27.9%
6-mth	108.7%	101.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

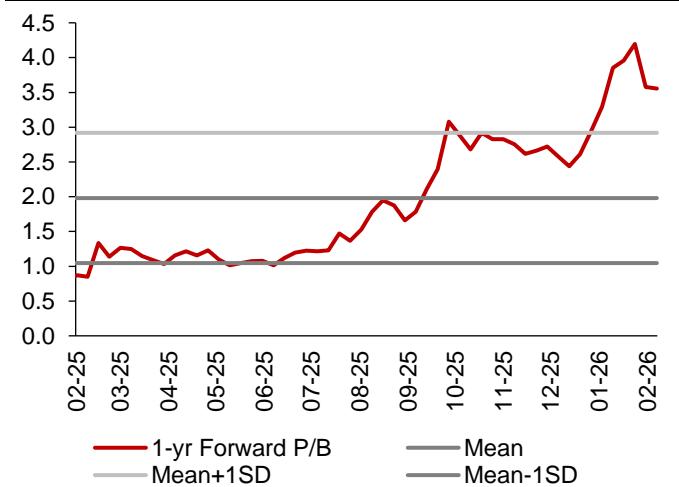
US\$mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	3,116	3,743	3,801	3,243	3,713	N/A	-3.9%	0.8%	N/A
Gross profit	495	687	685	486	676	N/A	1.8%	1.6%	N/A
Net profit	157	338	326	224	377	N/A	-29.6%	-10.2%	N/A
BVPS (US\$)	3.5	3.6	3.8	3.8	4.0	N/A	-7.3%	-7.8%	N/A
Gross margin	15.9%	18.3%	18.0%	15.0%	18.2%	N/A	0.9 ppt	0.1 ppt	N/A
Net margin	5.1%	9.0%	8.6%	6.9%	10.1%	N/A	-1.8 ppt	-1.1 ppt	N/A

Source: Company data, CMBIGM estimates

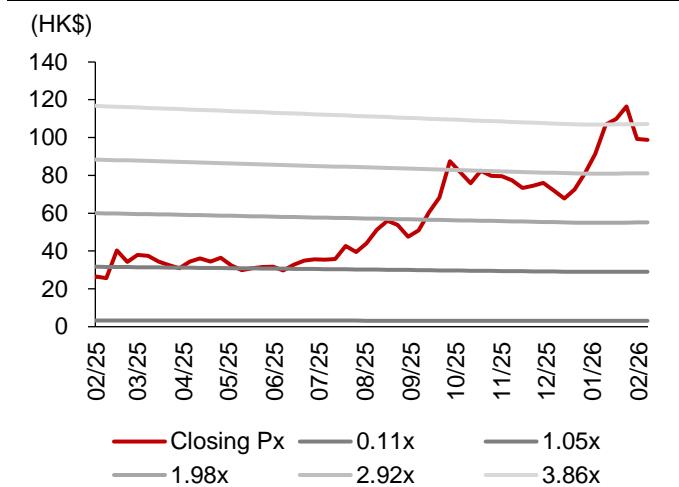
Figure 2: CMBIGM estimates vs. BBG consensus

US\$mn	CMBIGM			BBG Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	3,116	3,743	3,801	3,075	3,671	4,236	1.3%	2.0%	-10.3%
Gross profit	495	687	685	501	678	810	-1.1%	1.3%	-15.4%
Net profit	157	338	326	184	271	314	-14.3%	24.6%	3.8%
BVPS (US\$)	3.5	3.6	3.8	3.9	4.0	4.2	-9.3%	-9.1%	-10.3%
Gross margin	15.9%	18.3%	18.0%	16.3%	18.5%	19.1%	-0.4 ppt	-0.1 ppt	-1.1 ppt
Net margin	5.1%	9.0%	8.6%	6.0%	7.4%	7.4%	-0.9 ppt	1.6 ppt	1.2 ppt

Source: Bloomberg consensus, CMBIGM estimates

Figure 3: P/B chart

Source: Company data, CMBIGM estimates

Figure 4: P/B band

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Revenue	2,286	2,004	2,402	3,116	3,743	3,801
Cost of goods sold	(1,799)	(1,799)	(2,119)	(2,620)	(3,057)	(3,116)
Gross profit	487	205	283	495	687	685
Selling expense	(10)	(10)	(11)	(18)	(22)	(22)
Admin expense	(323)	(351)	(415)	(499)	(550)	(553)
Others	(91)	(94)	(67)	(121)	(93)	(96)
Operating profit	63	(249)	(209)	(142)	22	14
Other income	188	178	138	187	225	228
Other expense	(77)	(63)	(18)	0	0	0
Pre-tax profit	174	(134)	(89)	45	247	242
Income tax	(47)	(7)	(22)	(28)	(37)	(36)
After tax profit	126	(140)	(111)	17	210	206
Minority interest	(154)	(198)	(166)	(140)	(128)	(120)
Net profit	280	58	55	157	338	326
BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Current assets	6,570	5,833	6,607	4,373	3,563	3,268
Cash & equivalents	5,585	4,459	4,961	2,846	1,893	1,681
Restricted cash	32	32	32	29	30	30
Account receivables	279	270	282	298	317	308
Inventories	450	467	544	489	599	511
Prepayment	34	364	561	507	516	527
Other current assets	190	240	226	204	207	212
Non-current assets	4,374	6,583	7,847	8,671	9,725	10,290
PP&E	3,519	5,859	6,676	7,605	8,639	9,183
Right-of-use assets	79	78	64	68	74	79
Intangibles	50	31	36	31	28	24
Other non-current assets	726	614	1,071	966	984	1,004
Total assets	10,943	12,415	14,454	13,044	13,287	13,559
Current liabilities	972	1,562	1,856	1,615	1,602	1,644
Short-term borrowings	193	281	404	313	319	345
Account payables	235	298	330	315	304	327
Other current liabilities	541	978	1,119	984	975	968
Lease liabilities	3	5	3	3	3	3
Non-current liabilities	1,956	1,946	3,433	2,388	2,563	2,708
Long-term borrowings	1,907	1,917	2,787	1,742	1,917	2,062
Other non-current liabilities	50	29	646	646	646	646
Total liabilities	2,929	3,508	5,290	4,003	4,165	4,352
Share capital	4,934	4,938	4,987	4,987	4,987	4,987
Other reserves	1,367	1,309	1,625	1,642	1,852	2,057
Total shareholders equity	6,301	6,247	6,613	6,630	6,839	7,045
Minority interest	1,714	2,660	2,552	2,411	2,283	2,162
Total equity and liabilities	10,943	12,415	14,454	13,044	13,287	13,559

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	174	(134)	(89)	45	247	242
Depreciation & amortization	500	556	735	785	881	971
Tax paid	(72)	(57)	0	(28)	(37)	(36)
Change in working capital	(69)	142	0	(26)	(164)	95
Others	108	(47)	4	177	95	97
Net cash from operations	642	459	650	953	1,021	1,369
Investing						
Capital expenditure	(907)	(2,780)	(1,814)	(1,818)	(2,022)	(1,622)
Others	73	108	95	47	(8)	(9)
Net cash from investing	(833)	(2,672)	(1,719)	(1,771)	(2,030)	(1,631)
Financing						
Net borrowings	193	106	942	(1,136)	181	171
Proceeds from share issues	2,942	4	34	0	0	0
Others	647	1,041	523	(264)	(229)	(224)
Net cash from financing	3,782	1,150	1,499	(1,400)	(47)	(53)
Net change in cash						
Cash at the beginning of the year	2,009	5,585	4,459	4,961	2,846	1,893
Exchange difference	(14)	(64)	71	103	103	103
Others	3,590	(1,062)	430	(2,218)	(1,056)	(315)
Cash at the end of the year	5,585	4,459	4,961	2,846	1,893	1,681
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	(7.7%)	(12.3%)	19.9%	29.7%	20.1%	1.5%
Gross profit	(42.3%)	(57.9%)	37.9%	75.0%	38.6%	(0.3%)
Operating profit	(88.3%)	na	na	na	na	(38.0%)
Net profit	(37.8%)	(79.2%)	(5.6%)	186.8%	114.8%	(3.6%)
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	21.3%	10.2%	11.8%	15.9%	18.3%	18.0%
Operating margin	2.8%	(12.4%)	(8.7%)	(4.6%)	0.6%	0.4%
Return on equity (ROE)	6.0%	0.9%	0.9%	2.4%	5.0%	4.7%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	6.8	3.7	3.6	2.7	2.2	2.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	77.4	373.6	399.6	154.6	72.0	74.7
P/B	3.4	3.5	3.2	3.6	3.5	3.4

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

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