

Maxscend (300782 CH)

LT prospects intact; Maintain HOLD on continued margin pressure

Maxscend released its FY24 results. Revenue went up by 2.5% YoY to RMB4.5bn, missing CMBI estimates/BBG consensus by 2%/1%. NP declined significantly by 64.2% YoY to RMB402mn, missing CMBI estimates/BBG consensus by 28%/21%. GPM/NPM declined by 7.0ppt/16.7ppt to 39.5%/9.0% in FY24 (vs. 46.4%/25.6% in FY23) due to margin pressure from subsidiary Xinzhuo's ramp-up as the company transitions from a fabless model to a fab-lite strategy. We remain constructive on Maxscend's long-term growth prospects as it builds platform-level manufacturing capability and strategic supply chain independence. However, **we maintain HOLD rating as near-term margin pressure persists, with TP adjusted downward to RMB82.0, based on a rolled-over 45x 2026E P/E.**

■ **4Q24 experienced net loss for the first time due to fab ramp-up; margin pressure remains an overhang in 2025.** In 4Q24, revenue declined by 14.2% YoY but increased by 3.4% QoQ, while bottom-line saw a net loss of RMB24mn. Mgmt. attributed the loss to increased depreciation and high mask costs tied to the migration of key products onto its in-house 6/12-inch lines. NPM was -2.1% in 4Q24 (vs. 6.6%/23.2% in 3Q24/4Q23). We believe Maxscend will face ongoing margin headwinds especially in 1H25 (GPM: 38.0%, on our estimates), given fabs' ramp-up and slow recovery in end-market demand. We forecast Margin to gradually recover in 2H25 (GPM: 41.7%, on our estimates) on seasonality and emerging demand from AI edge devices. We project overall GPM to be slightly up to 40.2% in FY25E (39.5% in FY24).

■ **Module momentum continues as vertical integration starts to pay off.** Module sales (42% of total rev.) grew by 18.6% YoY in FY24, while discrete sales (56% of total rev.) declined by 7.6% YoY. **The growth in module revenue reflects the modularization trend in RFFE industry.** Looking forward, we expect module business to be the key growth driver (+25% YoY in 2025E). The rise in module shipments reflects Maxscend's in-house wafer and packaging capabilities, enabling faster product iteration and tighter component integration. Gross margins for module/discrete segments were 36%/42% in FY24, down from 46%/47% in FY23, but are likely to improve as utilization increases, in our view.

■ **Maintain HOLD, with TP adjusted down to RMB82.** We view 2025 as a transition year for Maxscend, and we revise down our revenue/NP forecasts by 7%/42% in FY25E, given a slower-than-expected recovery in demand and stronger margin erosion on fab ramp-up. Our new TP is based on 45x 2026E P/E, 10% higher than peers' avg. of 40.7x considering its leading position in RFFE market and important role in semiconductor localization. Potential upside catalysts: stronger-than-expected recovery and faster semiconductor localization due to geopolitical risks. Potential downside risks: slower-than-expected capacity ramp-up, delay in R&D progress.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	4,378	4,487	5,219	6,330	7,593
YoY growth (%)	19.1	2.5	16.3	21.3	19.9
Gross margin (%)	46.4	39.5	40.2	43.2	45.0
Net profit (RMB mn)	1,122.3	401.9	587.3	971.8	1,417.2
YoY growth (%)	5.0	(64.2)	46.1	65.5	45.8
EPS (Reported) (RMB)	2.10	0.75	1.10	1.82	2.65
P/E (x)	38.1	106.6	73.0	44.1	30.2
ROE (%)	12.1	4.0	5.6	8.7	11.6

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price RMB82.00

(Previous TP) RMB86.00)

Up/Downside 2.3%

Current Price RMB80.15

China Semiconductors

Lily YANG, Ph.D

(852) 3916 3716

lilyyang@cmbi.com.hk

Kevin ZHANG

(852) 3761 8727

kevinzhang@cmbi.com.hk

Jiahao Jiang

(852) 39163739

JiangJiahao@cmbi.com.hk

Stock Data

Mkt Cap (RMB mn)	42,784.1
Avg 3 mths t/o (RMB mn)	898.8
52w High/Low (RMB)	117.29/59.10
Total Issued Shares (mn)	533.8

Source: FactSet

Shareholding Structure

WX HUIZHI UNITED INV	11.1%
Feng Chenhui	7.6%

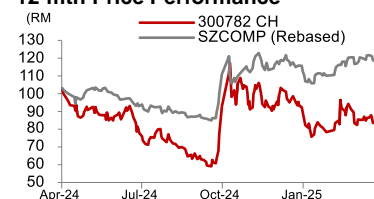
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-3.9%	-2.9%
3-mth	-10.6%	-12.8%
6-mth	-13.7%	-17.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: CMBIGM earnings revision

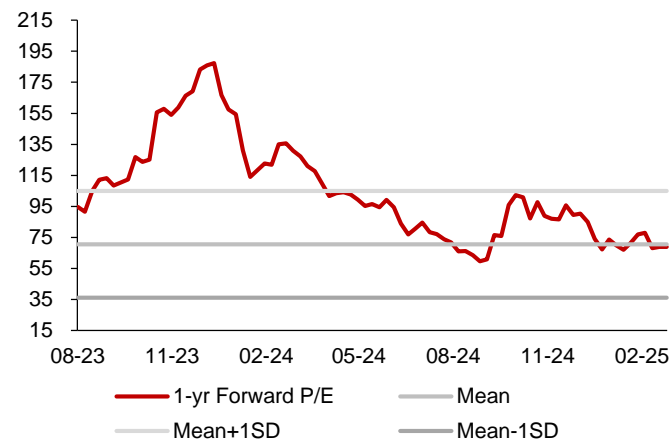
RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	5,219	6,330	7,593	5,639	6,895	NA	-7%	-8%	NA
Gross profit	2,095	2,733	3,419	2,323	3,061	NA	-10%	-11%	NA
Net profit	587	972	1,417	1,019	1,728	NA	-42%	-44%	NA
EPS (RMB)	1.10	1.82	2.65	1.91	3.24	NA	-42%	-44%	NA
Gross margin	40.2%	43.2%	45.0%	41.2%	44.4%	NA	-1 ppt	-1.2 ppt	NA
Net margin	11.3%	15.4%	18.7%	18.1%	25.1%	NA	-6.8 ppt	-9.7 ppt	NA

Source: Company data, CMBIGM estimates

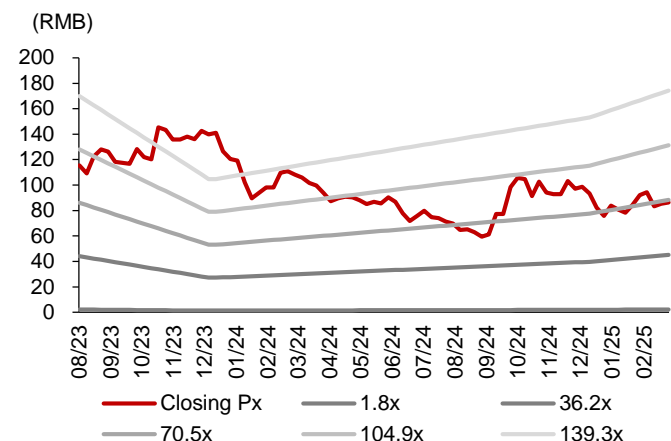
Figure 2: CMBIGM vs. Bloomberg consensus

RMB mn	CMBI estimates			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	5,219	6,330	7,593	5,689	6,861	8,803	-8%	-8%	-14%
Gross profit	2,095	2,733	3,419	2,258	2,817	3,542	-7%	-3%	-3%
Net profit	587	972	1,417	909	1,434	NA	-35%	-32%	NA
EPS (RMB)	1.10	1.82	2.65	1.88	2.81	NA	-42%	-35%	NA
Gross margin	40.2%	43.2%	45.0%	39.7%	41.1%	40.2%	0.5 ppt	2.1 ppt	4.8 ppt
Net margin	11.3%	15.4%	18.7%	16.0%	20.9%	NA	-4.7 ppt	-5.6 ppt	NA

Source: Company data, CMBIGM estimates, Bloomberg consensus

Figure 3: P/E chart

Source: Company data, CMBIGM estimates

Figure 4: P/E band

Source: Company data, CMBIGM estimates

Figure 5: Comps table

Company	Ticker	Mkt Cap (US\$m)	Price (LC)	P/E (x)		EPS (US\$)	
				FY25E	FY26E	FY25E	FY26E
Awinic	688798 CH	2,317	72.72	45.9	32.7	0.22	0.31
Guobo Electronics	688375 CH	4,452	53.03	49.1	38.2	0.15	0.20
Willsemi	603501 CH	22,359	132.72	35.2	27.9	0.52	0.66
SMIC	688981 CH	57,778	89.33	121.5	92.6	0.10	0.13
Vanchip	688153 CH	1,993	33.55	32.3	26.6	0.14	0.18
Hua Hong Semi	1347 HK	7,746	31.05	42.5	26.3	0.09	0.15
Average				54.4	40.7	0.2	0.3

Source: Company data, Bloomberg consensus. Data as of 31 Mar 2025 close.

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	3,677	4,378	4,487	5,219	6,330	7,593
Cost of goods sold	(1,732)	(2,345)	(2,715)	(3,123)	(3,597)	(4,174)
Gross profit	1,946	2,034	1,772	2,095	2,733	3,419
Operating expenses	(595)	(841)	(1,251)	(1,235)	(1,420)	(1,606)
SG&A expense	(139)	(201)	(237)	(227)	(260)	(291)
R&D expense	(449)	(629)	(997)	(992)	(1,139)	(1,291)
Others	(6)	(11)	(17)	(17)	(20)	(24)
Operating profit	1,351	1,192	521	860	1,313	1,812
Other income	13	18	52	0	0	0
Other expense	(8)	(10)	(9)	0	0	0
Other gains/(losses)	(302)	(73)	(161)	(146)	(153)	(152)
EBIT	1,055	1,127	403	714	1,161	1,660
Interest income	13	46	17	27	36	55
Interest expense	(1)	(2)	(37)	(89)	(117)	(140)
Others	22	0	(2)	0	0	0
Pre-tax profit	1,089	1,171	382	653	1,080	1,575
Income tax	(11)	(52)	21	(65)	(108)	(157)
After tax profit	1,078	1,119	403	587	972	1,417
Minority interest	9	(3)	1	0	0	0
Net profit	1,069	1,122	402	587	972	1,417

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	3,588	3,269	5,016	5,454	6,540	8,240
Cash & equivalents	1,277	1,008	1,411	1,947	2,515	4,175
Account receivables	400	518	579	593	725	773
Inventories	1,720	1,493	2,521	2,356	2,669	2,591
Prepayment	35	48	31	35	39	43
Other current assets	156	202	475	523	592	657
Non-current assets	5,915	7,689	9,216	10,367	11,158	11,548
PP&E	2,043	2,418	5,172	6,761	7,648	7,939
Right-of-use assets	14	71	68	335	693	1,160
Deferred income tax	69	84	90	90	90	90
Intangibles	123	122	152	186	225	272
Goodwill	0	0	0	0	0	0
Other non-current assets	3,667	4,994	3,735	2,996	2,501	2,087
Total assets	9,504	10,958	14,233	15,821	17,697	19,788
Current liabilities	721	881	2,971	3,979	4,906	5,649
Short-term borrowings	0	0	1,895	2,937	3,831	4,524
Account payables	476	635	880	832	843	872
Tax payable	136	121	25	28	31	35
Other current liabilities	17	21	45	42	44	43
Contract liabilities	6	7	5	5	6	6
Accrued expenses	85	97	121	135	151	168
Non-current liabilities	98	274	1,061	1,109	1,166	1,229
Long-term borrowings	0	0	633	633	633	633
Bond payables	0	0	0	0	0	0
Other non-current liabilities	98	274	428	476	532	595
Total liabilities	819	1,154	4,032	5,088	6,072	6,877
Share capital	534	534	535	535	535	535
Retained earnings	4,334	5,271	5,553	6,085	6,880	8,024
Other reserves	3,814	3,998	4,112	4,112	4,209	4,351
Total shareholders equity	8,682	9,803	10,199	10,732	11,624	12,909
Minority interest	3	0	2	2	2	2
Total equity and liabilities	9,504	10,958	14,233	15,821	17,697	19,788

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,078	1,119	403	587	972	1,417
Depreciation & amortization	103	222	588	731	919	1,053
Change in working capital	(518)	431	(1,182)	150	(393)	106
Others	279	122	272	109	148	163
Net cash from operations	942	1,894	80	1,577	1,646	2,739
Investing						
Capital expenditure	(1,711)	(2,122)	(1,868)	(2,053)	(1,923)	(1,691)
Others	93	(169)	56	114	158	192
Net cash from investing	(1,619)	(2,292)	(1,812)	(1,939)	(1,765)	(1,500)
Financing						
Dividend paid	(234)	(91)	(152)	(144)	(197)	(272)
Net borrowings	0	0	2,527	1,042	884	693
Others	1	(3)	32	(0)	(0)	(0)
Net cash from financing	(233)	(94)	2,407	898	687	421
Net change in cash						
Cash at the beginning of the year	2,020	1,214	720	1,398	1,934	2,502
Exchange difference	104	(2)	2	0	0	0
Others	(910)	(492)	675	536	568	1,660
Cash at the end of the year	1,214	720	1,398	1,934	2,502	4,162
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(20.6%)	19.1%	2.5%	16.3%	21.3%	19.9%
Gross profit	(27.3%)	4.5%	(12.9%)	18.3%	30.4%	25.1%
Operating profit	(40.5%)	(11.7%)	(56.3%)	65.3%	52.6%	38.0%
EBIT	(56.6%)	6.9%	(64.3%)	77.3%	62.5%	43.0%
Net profit	(49.9%)	5.0%	(64.2%)	46.1%	65.5%	45.8%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	52.9%	46.4%	39.5%	40.2%	43.2%	45.0%
Operating margin	36.7%	27.2%	11.6%	16.5%	20.7%	23.9%
Return on equity (ROE)	13.1%	12.1%	4.0%	5.6%	8.7%	11.6%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	5.0	3.7	1.7	1.4	1.3	1.5
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	40.0	38.1	106.6	73.0	44.1	30.2

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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