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CMB International Global Markets | Equity Research | Company Update

OmniVision (603501 CH)

3Q26 earnings: Margin inflection takes shape

BUY (Maintain)

Target Price	**RMB125.00**
Up/Downside	**46.7%**
Current Price	**RMB85.20**

OmniVision reported revenue of RMB8.12bn in 3Q26, up 3.8% YoY and 6.7% QoQ, near the upper end of company guidance. Net profit declined 8.7% YoY but increased 50.5% QoQ to RMB1.08bn, as GPM recovered 1.7ppts QoQ to 30.0% despite a further increase in lower-margin distribution sales. Although demand recovery in smartphone/auto CIS remains subdued, the margin improvement suggests that earnings have begun to emerge from cyclical trough. The company's 4Q26 revenue guidance of RMB7.76-8.32bn implies -4.5% to +2.5% QoQ growth, while guided GPM of 29.4-30.7% points to broadly stable profitability. **Maintain BUY with TP unchanged at RMB125 (33x 2027E P/E).**

- **Mix improvement is beginning to outweigh distribution dilution.** 9M26 semi design revenue declined 9.4% YoY to RMB16.35bn, while distribution revenue rose 55.7% to RMB5.69bn and reached 25.7% of sales. Based on our calculation, distribution accounted for ~30% of 3Q26 revenue. The recovery in consolidated GPM to 30% despite this unfavorable mix indicates a more substantial margin improvement within the design business, supported by higher-end CIS and value-added analog products. We see this as an encouraging sign as earnings recovery is increasingly driven by product upgrading rather than low-margin volume expansion.
- **Optical connectivity, edge AI and auto are emerging growth drivers.** OmniVision is extending its analog expertise into TIA, laser drivers and silicon-based optical-interconnect devices. Certain high-speed optical-communication chips have entered production introduction, while broader scale-up is targeted for late-2027, per mgmt.. Machine vision, robotics and professional imaging should remain strong, while higher-end auto CIS & analog and flagship smartphone products support further mix improvement, in our view.
- **We view margin inflection as credible but likely gradual.** Mgmt.'s 4Q26 guidance points to broadly stable revenue and margins QoQ, suggesting near-term earnings improvement will rely more on product-mix enhancement and cost discipline than a broad demand rebound. **Maintain BUY with an unchanged TP of RMB125** as improving margins in higher-end CIS and analog products are increasingly offsetting the dilution from the growing distribution business. **Key risks** include weaker-than-expected smartphone and auto shipments, slower new-product qualification, delays in emerging businesses, etc.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	25,731	28,855	29,996	35,294	39,554
YoY growth (%)	22.4	12.1	4.0	17.7	12.1
Gross margin (%)	29.4	30.6	29.6	30.4	31.1
Net profit (RMB mn)	3,323.2	4,045.4	3,396.3	4,583.5	5,482.1
YoY growth (%)	498.1	21.7	(16.0)	35.0	19.6
EPS (Reported) (RMB)	2.77	3.37	2.81	3.79	4.53
P/E (x)	30.8	25.3	30.3	22.5	18.8

Source: Company data, Bloomberg, CMBIGM estimates

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Stock Data

Mkt Cap (RMB mn)	102,836.4
Avg 3 mths t/o (RMB mn)	1,299.7
52w High/Low (RMB)	135.27/71.53
Total Issued Shares (mn)	1207.0

Source: FactSet

Shareholding Structure

Yu Renrong	25.1%
SX WEIHAO EQU INVEST FUND	6.1%

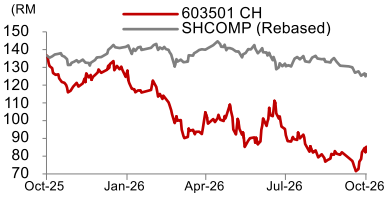
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	5.5%	9.6%
3-mth	-7.2%	-3.9%
6-mth	-18.0%	-9.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**21,021**	**25,731**	**28,855**	**29,996**	**35,294**	**39,554**
Cost of goods sold	(16,446)	(18,154)	(20,015)	(21,110)	(24,581)	(27,244)
Gross profit	**4,574**	**7,576**	**8,840**	**8,886**	**10,713**	**12,310**
Operating expenses	**(3,297)**	**(3,908)**	**(4,076)**	**(4,265)**	**(5,001)**	**(5,585)**
Selling expense	(467)	(557)	(564)	(600)	(706)	(791)
Admin expense	(33)	(40)	(46)	(48)	(56)	(63)
SG&A expense	(623)	(748)	(696)	(694)	(799)	(876)
R&D expense	(2,234)	(2,622)	(2,843)	(3,000)	(3,529)	(3,955)
Others	60	59	73	76	90	100
Operating profit	**1,277**	**3,668**	**4,763**	**4,621**	**5,712**	**6,726**
Other income	26	13	2	2	2	2
Other expense	(2)	(5)	(7)	(7)	(9)	(10)
Gain/loss on financial assets at FVTPL	(367)	(639)	(287)	(446)	(423)	(435)
Investment gain/loss	73	182	12	12	12	12
Other gains/(losses)	140	47	45	(204)	(148)	(166)
EBIT	**1,148**	**3,266**	**4,527**	**3,977**	**5,146**	**6,129**
Interest income	96	330	394	487	544	569
Interest expense	(534)	(327)	(302)	(331)	(293)	(245)
Net Interest income/(expense)	**(438)**	**4**	**92**	**156**	**250**	**324**
Other income/expense	(19)	9	(18)	(151)	(22)	(25)
Pre-tax profit	**691**	**3,278**	**4,601**	**3,982**	**5,374**	**6,428**
Income tax	(148)	6	(569)	(597)	(806)	(964)
After tax profit	**544**	**3,284**	**4,032**	**3,385**	**4,568**	**5,463**
Minority interest	(12)	(39)	(14)	(12)	(16)	(19)
Net profit	**556**	**3,323**	**4,045**	**3,396**	**4,584**	**5,482**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**20,264**	**21,804**	**26,467**	**30,550**	**30,263**	**33,874**
Cash & equivalents	9,086	10,185	12,821	15,588	16,088	17,070
Account receivables	4,031	3,964	3,944	4,776	5,354	5,816
Inventories	6,322	6,956	8,598	9,139	7,676	9,790
Prepayment	221	251	298	261	307	344
Financial assets at FVTPL	133	0	126	126	126	126
Other current assets	472	448	679	661	713	727
Non-current assets	**17,479**	**17,160**	**17,134**	**20,924**	**22,380**	**23,947**
PP&E	2,586	3,126	3,442	4,061	4,784	5,568
Right-of-use assets	176	154	139	141	144	144
Intangibles	2,305	2,216	1,996	1,814	1,661	1,513
Goodwill	3,861	3,632	3,619	3,970	4,322	4,674
Other non-current assets	8,551	8,032	7,938	10,938	11,470	12,049
Total assets	**37,743**	**38,965**	**43,601**	**51,474**	**52,644**	**57,821**
Current liabilities	**9,069**	**7,595**	**12,586**	**12,976**	**11,416**	**11,696**
Short-term borrowings	2,671	1,086	2,079	3,283	43	1,014
Account payables	1,663	1,935	2,235	1,930	2,919	2,455
Tax payable	229	229	343	302	308	339
Other current liabilities	4,055	3,787	7,340	6,872	7,505	7,179
Contract liabilities	187	226	240	242	285	319
Accrued expenses	264	332	349	347	355	390
Non-current liabilities	**7,180**	**7,167**	**2,861**	**4,126**	**3,079**	**3,481**
Long-term borrowings	2,977	3,472	1,618	2,536	1,452	1,695
Bond payables	2,444	2,524	0	0	0	0
Obligations under finance leases	122	97	95	123	126	138
Deferred income	25	22	46	50	51	56
Other non-current liabilities	1,611	1,052	1,102	1,417	1,450	1,592
Total liabilities	**16,248**	**14,762**	**15,447**	**17,102**	**14,494**	**15,178**
Share capital	1,216	1,216	1,210	1,261	1,261	1,261
Retained earnings	9,008	11,868	15,164	17,743	21,534	25,990
Other reserves	11,227	11,117	11,798	15,397	15,399	15,456
Total shareholders equity	**21,451**	**24,201**	**28,172**	**34,402**	**38,194**	**42,707**
Minority interest	44	1	(18)	(30)	(45)	(64)
Total equity and liabilities	**37,743**	**38,965**	**43,601**	**51,474**	**52,644**	**57,821**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**544**	**3,284**	**4,601**	**3,385**	**4,568**	**5,463**
Depreciation & amortization	1,166	1,295	1,293	1,331	1,550	1,750
Change in working capital	5,175	(699)	(1,776)	(4,279)	(4,279)	(2,059)
Others	651	892	(2,628)	1,069	1,147	577
Net cash from operations	**7,537**	**4,772**	**1,490**	**1,506**	**2,986**	**5,731**
Investing						
Capital expenditure	(1,048)	(1,249)	(2,336)	(2,720)	(2,825)	(3,025)
Net proceeds from disposal of short-term investments	7	28	12	5	6	7
Others	(1,422)	410	1,505	(2,099)	(269)	(292)
Net cash from investing	**(2,464)**	**(811)**	**(820)**	**(4,814)**	**(3,089)**	**(3,309)**
Financing						
Dividend paid	(574)	(664)	(982)	(939)	(804)	(934)
Net borrowings	(2,009)	(1,297)	205	1,884	(4,323)	1,213
Proceeds from share issues	3,394	218	462	4,204	0	0
Others	(875)	(1,264)	(121)	(161)	(161)	(161)
Net cash from financing	**(64)**	**(3,007)**	**(437)**	**4,988**	**(5,287)**	**119**
Net change in cash						
Cash at the beginning of the year	3,995	9,055	10,153	12,800	15,567	16,067
Exchange difference	51	143	(215)	(481)	0	0
Others	5,009	955	2,862	3,249	500	983
Cash at the end of the year	**9,055**	**10,153**	**12,800**	**15,567**	**16,067**	**17,049**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	4.7%	22.4%	12.1%	4.0%	17.7%	12.1%
Gross profit	(25.9%)	65.6%	16.7%	0.5%	20.6%	14.9%
Operating profit	(48.0%)	187.2%	29.9%	(3.0%)	23.6%	17.7%
EBIT	(39.4%)	184.4%	38.6%	(12.2%)	29.4%	19.1%
Net profit	(43.9%)	498.1%	21.7%	(16.0%)	35.0%	19.6%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	21.8%	29.4%	30.6%	29.6%	30.4%	31.1%
Operating margin	6.1%	14.3%	16.5%	15.4%	16.2%	17.0%
Return on equity (ROE)	2.8%	14.6%	15.4%	10.9%	12.6%	13.6%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	2.2	2.9	2.1	2.4	2.7	2.9

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	181.3	30.8	25.3	30.3	22.5	18.8
P/E (diluted)	181.3	30.8	25.3	30.3	22.5	18.8

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

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