

# Semiconductors

## RFFE localization to continue as handset market recovers

**Cautious RFFE market outlook since uneven end-markets recovery is likely to persist into 2025.**

- We expect mobile RFFE to grow at low single-digit in 2024E-26E, constrained by saturated smartphone shipments, global smartphone shipments to grow by 4.7%/2.7% YoY in 2024/25E) and limited incremental content per device. While AI is driving content growth in other components like SoCs and memory, its impact on RFFE content is relatively modest. We expect mobile RFFE content per smartphone to decline in 2024 and remain stable going forward.
- Auto RFFE, the smallest segment, is forecasted to achieve double-digit growth per Yole, fueled by the rising adoption of advanced safety systems and the acceleration of vehicle electrification trends.

**Domestic peers may rise on semiconductor localization trend. The RFFE market is dominated by a few companies (top 4: 62% market share). China's peers are trying to catch up; however, their shares are still relatively small (Maxscend/Vanchip: 3%/2% in 2023).**

- Regionally, China's RFFE market has become increasingly crowded fueled by investment hype, particularly in the low-end categories.
- Chinese peers are facing growth challenges in recent quarters and margin erosion (Maxscend/Vanchip/Smarter Micro's GPM down 9ppts/2ppts/15ppts in 3Q24 vs. 3Q23), compounded by intensified competition alongside persistently soft demand.

We maintain HOLD for Maxscend, as the company goes through business model transformation and its LT growth remains intact. Maxscend, a prominent domestic leader in the mobile RFFE market, is currently going through a strategic transition from a fabless to a fab-lite business model, which weighs on the company's margins (GPM was down 4.3ppts sequentially to 37.1% in 3Q24). The unchanged TP of RMB86 corresponds to 45x 2025E P/E (~0.5 SD below historical 5-year average).

### Peers table

Company	Ticker	Mkt Cap US\$(mn)	Price (LC)	P/E (x)		Rev. growth YoY%	
				FY24E	FY25E	FY24E	FY25E
<b>Domestic peers</b>							
Maxscend	300782 CH	6,752	91.36	86.3	47.3	4.7	23.0
Vanchip	688153 CH	2,339	39.34	99.6	44.7	-4.4	41.2
Smarter Micro	688512 CH	815	12.80	-	-	-3.0	84.5
<b>Average</b>				<b>93.0</b>	<b>46.0</b>	<b>(0.9)</b>	<b>49.6</b>
<b>Global peers</b>							
Qualcomm	QCOM US	173,760	156.40	15.5	14.0	8.7	9.1
Broadcom	AVGO US	745,751	159.67	33.0	25.7	44.0	17.6
Skyworks	SWKS US	13,881	86.80	13.9	16.1	-12.5	-4.7
Qorvo	QRVO US	6,466	68.40	11.3	14.2	5.6	-2.5
Murata	6981 JT	32,440	2489.50	21.3	18.1	7.2	7.2
NXP	NXPI US	57,574	226.53	17.4	17.5	-5.1	1.2
<b>Average</b>				<b>18.7</b>	<b>17.6</b>	<b>8.0</b>	<b>4.7</b>

Source: Company data, Bloomberg, CMBIGM estimates

**OUTPERFORM  
(Maintain)**

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## Contents

### **Cautious outlook: Uneven end-markets recovery likely to persist into 2025..... 3**

Mobile RFFE market to grow at low-single digit ..... 4

Auto RFFE players to embrace double-digit growth as vehicles are transforming to software-defined ..... 6

### **Competitive landscape: top 4 accounted for 62% of market share ..... 8**

### **China RFFE market: domestic players rise on semiconductor localization trend, while broad market challenges and geopolitical risks persist..... 9**

Maxscend (300782 CH, HOLD, TP: RMB86.0) ..... 11

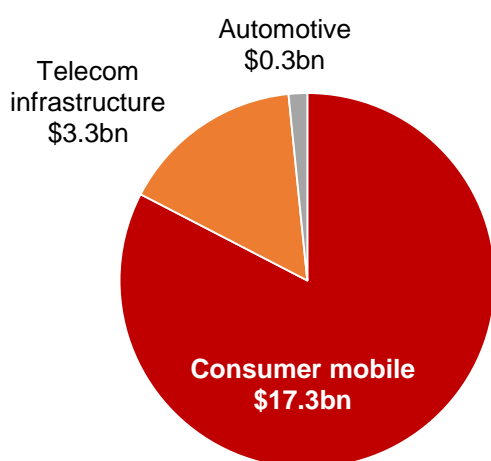
## Cautious outlook: Uneven end-markets recovery likely to persist into 2025

RFFE market grew to US\$21bn in 2023, per Yole. Consumer mobile (US\$17.3bn) remained the largest segment, contributing over 80% of total sales. Telecom infrastructure was US\$3.3bn (16%), and auto was US\$0.3bn (2%).

Looking forward,

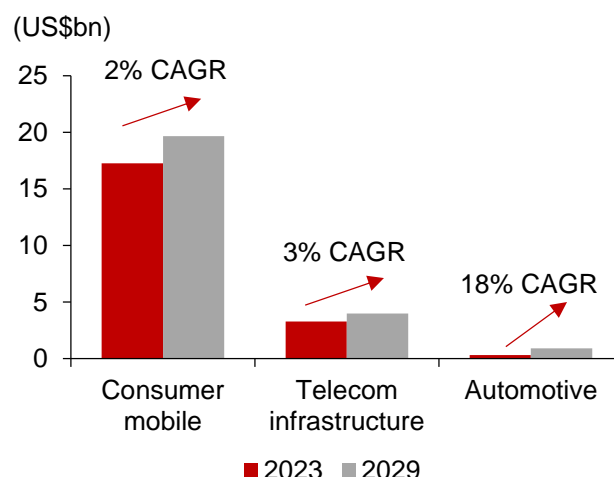
- 1) **Mobile RFFE Segment:** Growth is expected to remain in low single digit, constrained by saturated smartphone shipments and limited incremental content per device. While AI is driving content growth in other components like SoCs and memory, its impact on RFFE content per smartphone is relatively modest.
- 2) **Telecom Infrastructure RFFE Segment:** Recovery is anticipated by 2026E, with the segment projected to expand to US\$4bn by 2029, supported by increased investments in 5G networks and infrastructure, per Yole.
- 3) **Auto RFFE Segment:** Despite being the smallest segment, it is **forecasted to achieve double-digit growth, tripling in size to US\$0.9bn by 2029E**, per Yole. The expansion will be fueled by the rising adoption of advanced safety systems and the acceleration of vehicle electrification trends.

**Figure 1: RFFE revenue breakdown by end markets (2023)**



Source: Yole, CMBIGM estimates

**Figure 2: Mobile/telecom infra. RFFE to grow at low-single digit; while auto RFFE to grow at double-digit**



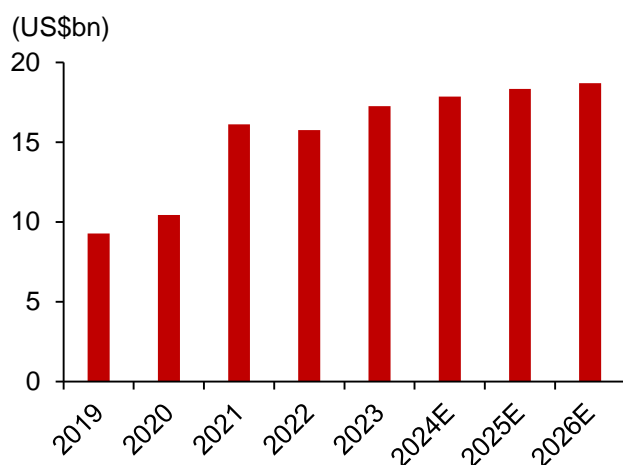
Source: Yole, CMBIGM estimates

## Mobile RFFE market to grow at low-single digit

The Mobile RFFE market experienced exceptional growth (est. 40%+) in 2021, driven by the surge in 5G smartphone penetration (from 20% in 2020 to 41% in 2021) and a 6% YoY rebound in smartphone shipments. However, the momentum stalled in 2022, with flattish RFFE sales as smartphone shipments declined by 11% YoY, partially offset by a 12% increase in 5G share. In 2023, growth resumed at approximately 10% YoY, supported by an improved sales mix, as the market shifted toward higher-priced smartphones. Despite a 3% YoY decline in smartphone shipments, the premium-tier segment (ASP of over US\$500) expanded to 30% of the market (up 3ppts), resulting in a 13% rise in RFFE content per device.

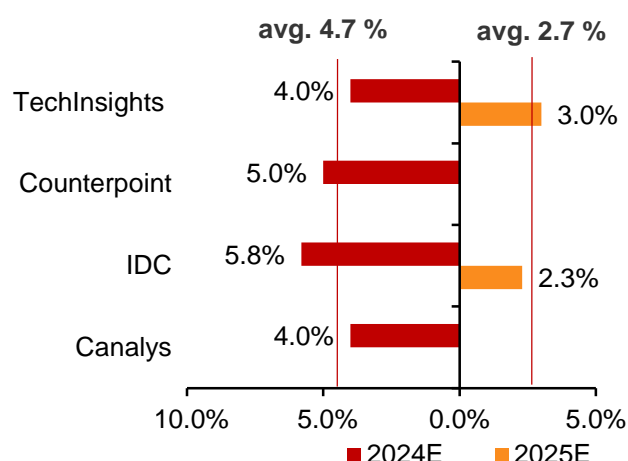
Looking forward, the mobile RFFE market is projected to achieve **low-single-digit growth (~2% YoY) in 2024E and beyond**, aligned with the expected **low-single-digit increase in smartphone shipments** and **relatively stable RFFE content per device**. According to multiple forecasts (IDC, TechInsights, Counterpoint, etc.), global smartphone shipments are expected to grow by **4.7% in 2024E** and **2.7% in 2025E**, reflecting modest market recovery trends.

**Figure 3: Mobile RFFE market is expected to grow at low-single digit in 2024E and 2026E, due to saturated smartphone shipment and stable RFFE content**



Source: Yole, IDC, Canalys, TechInsights, Counterpoint and CMBIGM estimates

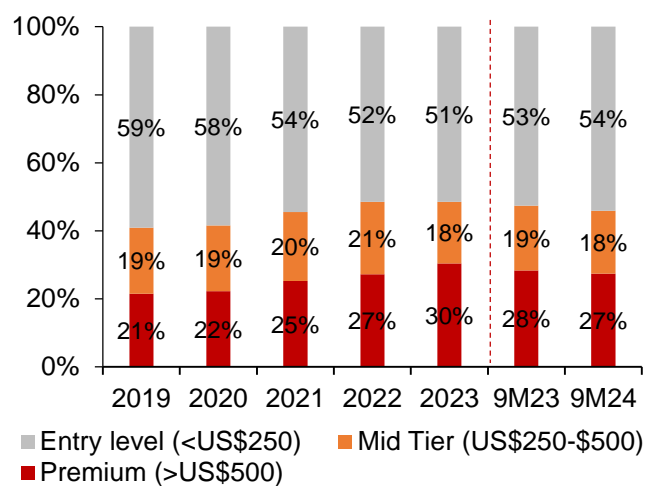
**Figure 4: Smartphone shipment to grow at an average 4.7%/2.7% in 2024/25E according to multiple agencies' forecasts**



Source: IDC, Canalys, TechInsights, Counterpoint and CMBIGM estimates

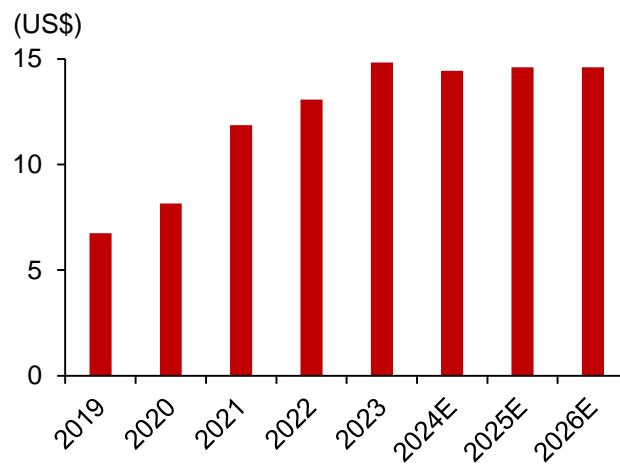
**In 9M24, entry-level (ASP below US\$250) gained traction** with share increasing to 54% (vs. 53%/51% for 9M23/FY23). **Premium-tier lost momentum** with share falling to 27% (vs. 28%/30% for 9M23/FY23). **Mid-tier (ASP between US\$250 and US\$500) held steady** with 18% share (vs. 19%/18% for 9M23/FY23). In our view, **mobile RFFE content per smartphone will decline in 2024, considering the unfavorable mix**. We expect it to remain stable going forward.

**Figure 5: The mix has shifted to premium-tier in 2023 at the expense of mid-tier; however, entry-level gained traction in 6M24**



Source: IDC, Bloomberg, CMBIGM estimates

**Figure 6: Mobile RFFE content per smartphone is expected to decline in 2024 and remain stable going forward**



Source: Yole, IDC, Canalys, TechInsights, Counterpoint and CMBIGM estimates

## Auto RFFE players to embrace double-digit growth as vehicles are transforming to software-defined

Despite near-term headwinds of excess inventory in auto market, we believe **auto RFFE segment will see more significant growth** compared to mobile and telecom infrastructure RFFE segments. **The key driver is the growing needs from advanced safety systems requirements and electrification/software-defined trend.**

**Qualcomm is the dominant player in the auto RFFE market**, offering a comprehensive suite of solutions, including integrated RF front-end modules, antenna tuners, and cellular V2X (Vehicle-to-Everything) connectivity solutions (note: the connectivity solutions are not included in this section). These technologies support advanced communication systems required for connected and autonomous vehicles, enabling seamless integration with 5G and improving safety, reliability, and efficiency in software-defined vehicles.

**Figure 7: RFFE applications in auto industry**



Source: Qualcomm, CMBIGM

Meanwhile, **Qorvo and Skyworks are expanding their portfolios to address the growing demand for auto RFFE**, with offerings such as high-performance RF modules, power amplifiers, and filters tailored for auto applications. These products aim to enhance in-car connectivity, advanced driver-assistance systems (ADAS), and infotainment systems. **For Chinese peers, their presence in the auto RFFE market remains minimal**, reflecting a potential area for future investment and development to compete in this high-growth segment.

**Figure 8: Key players in automotive RFFE market**

Company	Recent updates
<b>Qualcomm</b>	<ul style="list-style-type: none"> <li>- Auto segment sales (9% of 4QFY24 revenue) rose 68%/11% YoY/QoQ.</li> <li>- Auto segment to see 50%+ YoY growth while remaining flat on a sequential basis in 1QFY25.</li> <li>- Introduced a suite of auto products, including Snapdragon Cockpit Elite and Snapdragon Ride Elite automotive platforms, establishing the company as a performance leader in digital cockpit and ADAS.</li> </ul>
<b>Skyworks</b>	<ul style="list-style-type: none"> <li>- Industrial and automotive revenue accounted for ~10% of 4QFY24 revenue.</li> <li>- Engaging with Mercedes-Benz and is "converting design wins into revenue across connectivity, power isolation, and digital broadcast solutions for the connected car and EV markets".</li> </ul>

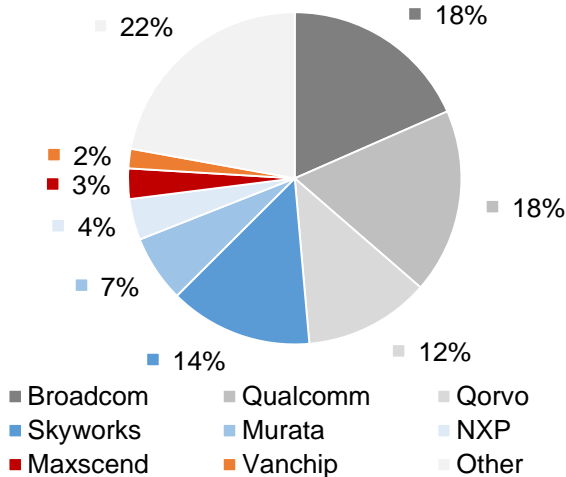
Qorvo	<ul style="list-style-type: none"><li>- Secured a V2X design win with a US-based automotive Tier 1 in support of an automotive OEM based in Germany.</li><li>- Selected to supply a full suite of V2X and network access device RF products in support of an automotive OEM with production volumes expected to ramp up this quarter.</li></ul>
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Source: Company data

## Competitive landscape: top 4 accounted for 62% of market share

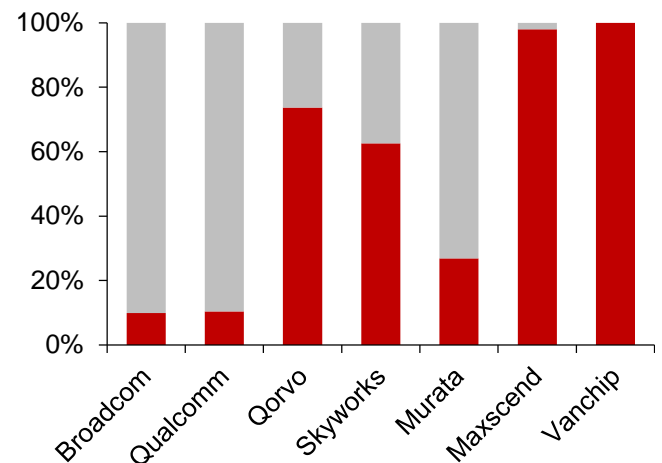
By competitive landscape, a few companies dominate the RFFE market. Broadcom/Qualcomm/Qorvo/Skyworks led the market with an aggregated share of 62% in 2023, per Yole. China peers are trying to catch up; however, their shares are still relatively small. Maxscend and Vanchip are the two largest players in this domain with 3% and 2% market presence respectively.

**Figure 9: Top 4 Global RFFE players dominated ~62% market share (2023)**



Source: Yole, Company data, Bloomberg, CMBIGM estimates

**Figure 10: Skyworks, Qorvo, Maxscend, Vanchip's RFFE sales contributed over 50% of total revenue**

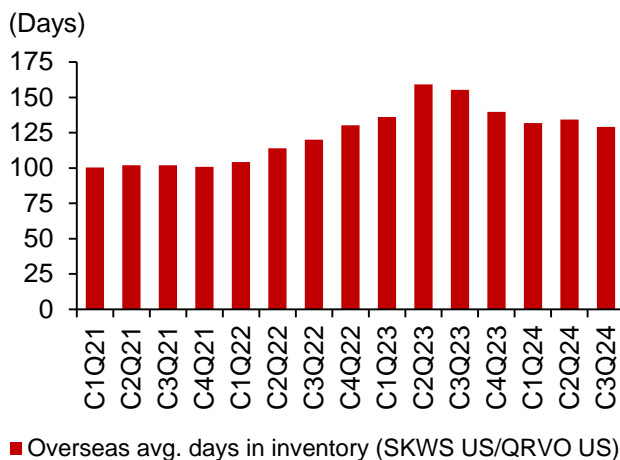


Source: Yole, Company data, CMBIGM estimates

## RFFE peers' inventory declined from peak level but is still above pre-pandemic levels.

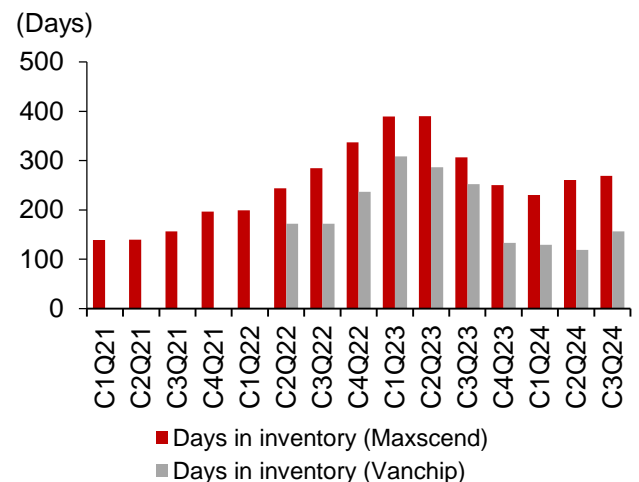
Overseas players' inventory is reducing gradually on disciplined management. Domestic peers' inventory level rose in recent one or two quarters, a mixed impact from slow recovery in demand and key components stocking behaviors due to seasonality and geopolitical concerns.

**Figure 11: Overseas peers' inventory is still above pre-pandemic levels despite disciplined management**



Source: Company data, CMBIGM estimates

**Figure 12: Domestic peers' inventory rose in 2Q/3Q24, reflecting a slow recovery in demand and ongoing geopolitical concerns**



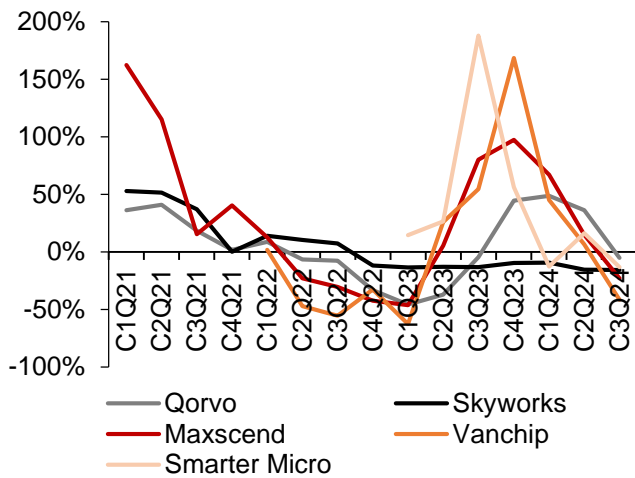
Source: Company data, CMBIGM estimates



## China RFFE market: domestic players rise on semiconductor localization trend, while broad market challenges and geopolitical risks persist

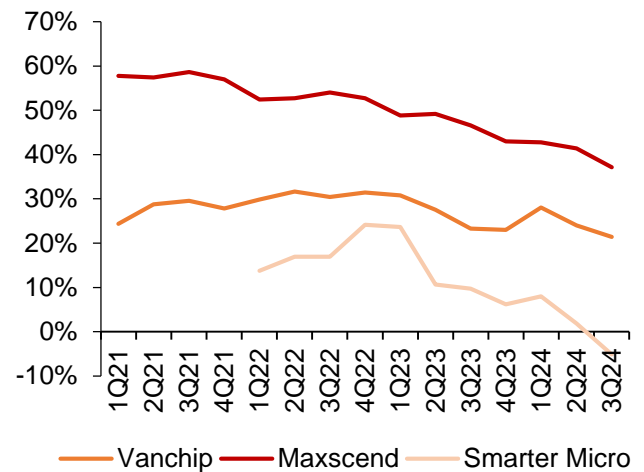
Domestic RFFE market has become increasingly crowded in recent years fueled by investment hype, particularly in the low-end categories. However, as the smartphone market reached saturation and 5G penetration normalized, Chinese peers are facing growth challenges and margin erosion (Maxscend/Vanchip/Smarter Micro's GPM down 9ppts/2ppts/ 15ppts in 3Q24 vs. 3Q23), compounded by intensified competition alongside persistently soft demand.

**Figure 13: Peers' revenue growth slowed down due to soft demand and price war**



Source: Company data, Bloomberg and CMBIGM estimates

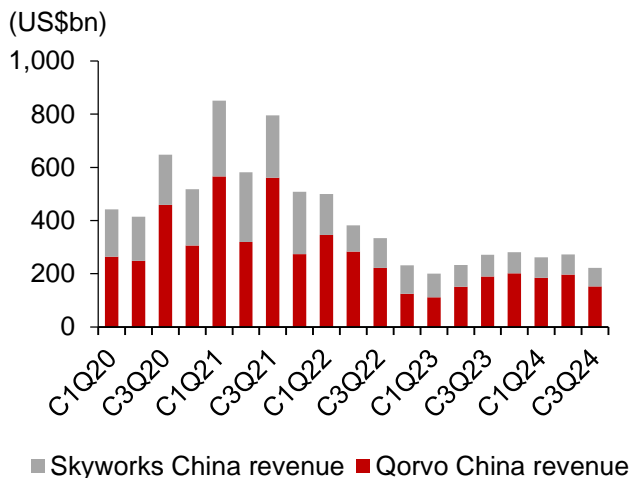
**Figure 14: Intensified competition has weighed on Maxscend and Vanchip's margins**



Source: Company data, Wind and CMBIGM estimates

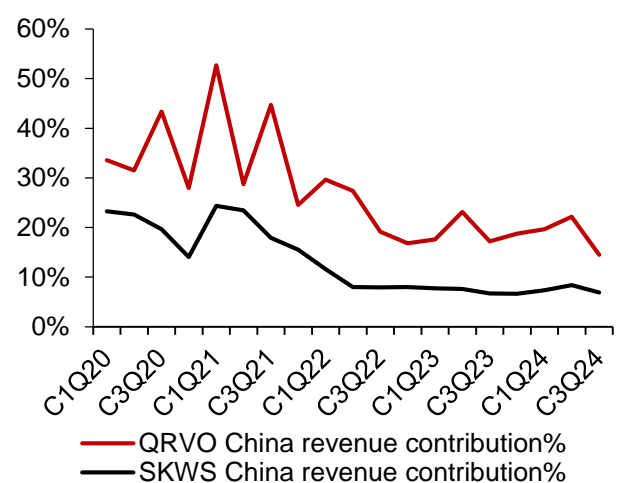
Meanwhile, the overseas players are reducing exposure to China's market. Qorvo and Skyworks' China revenue decreased over the past years. Excluding the impact from a challenging market, we see the percentage contribution dropping to 15%/7% in CY3Q24 from 43%/20% in CY3Q20, mainly due to 1) rising semiconductor localization in China, 2) pricing disciplines, and 3) ongoing geopolitical risks.

**Figure 15: Skyworks/Qorvo's China revenue declined over the past years**



Source: Company data, CMBIGM estimates

**Figure 16: China sales contribution to remain at low level given foreseeable geopolitical risks**



Source: Company data, CMBIGM estimates

Based on the peer's valuation, domestic peers trade at a **relatively higher average valuation** compared to their global counterparts. The average 2024/25E P/E of domestic RFFE players (Maxscend, Vanchip, and Smarter Micro) are 93x/46x, while that of global peers (Qualcomm, Skyworks, Qorvo, etc.) are 18.7x/17.6x (per Bloomberg). The disparity reflects a more mature market and stable growth trajectory among global players. However, domestic Chinese companies are expected to outpace their global counterparts in revenue growth, with projected 49.6% YoY growth in 2025E following a flattish movement in 2024E. In contrast, global peers are forecasted to achieve more modest growth of 8.0%/4.7% YoY in 2024E/25E, per Bloomberg consensus.

**Figure 17: RFFE peer valuation table**

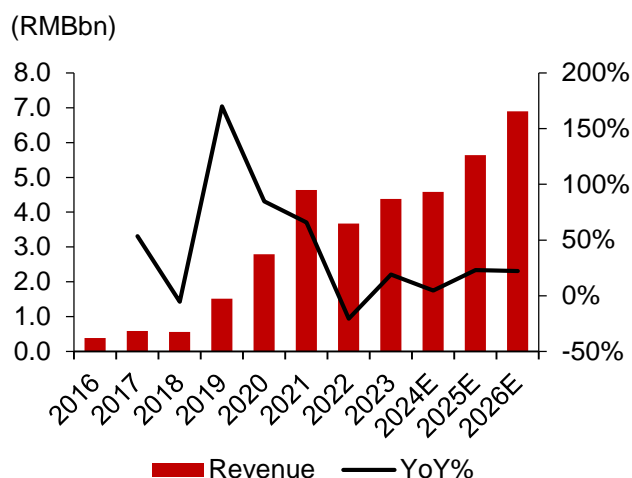
Company	Ticker	Mkt Cap	Price	P/E		EPS (US\$)		Rev. growth YoY	
		US\$(mn)	(LC)	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Domestic RFFE peers									
Maxscend	300782 CH	6,752	91.36	86.3	47.3	0.15	0.27	4.7	23.0
Vanchip	688153 CH	2,339	39.34	99.6	44.7	0.05	0.12	-4.4	41.2
Smarter Micro	688512 CH	815	12.80	-	-	-0.12	-0.04	-3.0	84.5
Average				93.0	46.0	0.0	0.1	(0.9)	49.6
Global RFFE peers									
Qualcomm	QCOM US	174,349	156.93	15.5	14.0	10.08	11.17	8.7	9.1
Broadcom	AVGO US	769,431	164.74	33.0	25.7	4.84	6.22	44.0	17.6
Skyworks	SWKS US	13,798	86.28	13.9	16.1	6.25	5.38	-12.5	-4.7
Qorvo	QRVO US	6,442	68.15	11.3	14.2	6.05	4.82	5.6	-2.5
Murata	6981 JT	32,977	2525.50	21.3	18.1	0.75	0.89	7.2	7.2
NXP	NXPI US	58,115	228.66	17.4	17.5	13.04	12.92	-5.1	1.2
Average				18.7	17.6	6.8	6.9	8.0	4.7

Source: Bloomberg data as of 29 Nov 2024, CMBIGM estimates

## Maxscend (300782 CH, HOLD, TP: RMB86.0)

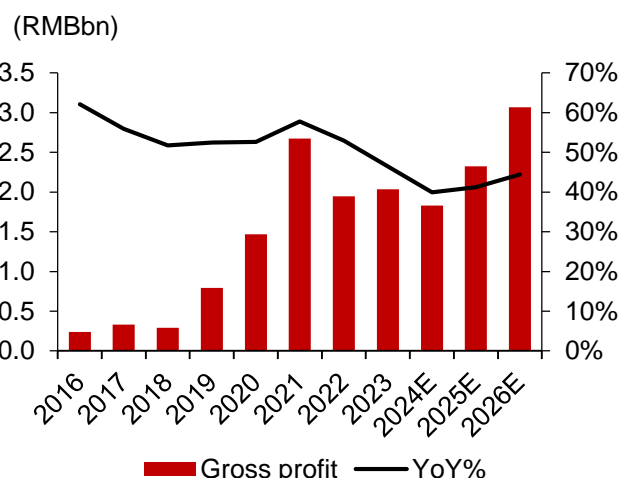
**Maxscend, a prominent domestic leader in the mobile RFFE market, is currently going through a strategic transformation from a fabless to a fab-lite business model.** This shift, aimed at enhancing production control, has temporarily weighed on the company's profitability, as reflected in its 3Q24 results amid an overall sluggish smartphone shipment recovery. GPM was down 4.3ppts sequentially to 37.1% and NPM dropped to 6.6% from 14.3%/32.1% in 2Q24/3Q23 on lower GPM, higher R&D (up 66% YoY) and asset impairment costs. We expect the company's RFFE module business to become the major revenue driver in the future as its contribution to total revenue increased in the past few quarters. **We maintain Maxscend at HOLD**, with TP unchanged at RMB86, corresponding to 45x 2025E P/E (~0.5SD below historical 5-year average).

**Figure 18: Maxscend's revenue and growth**



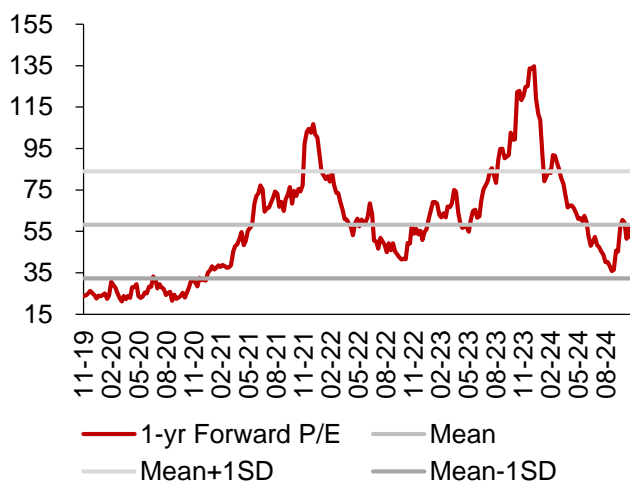
Source: Company data, CMBIGM estimates

**Figure 19: Gross profit and GPM**



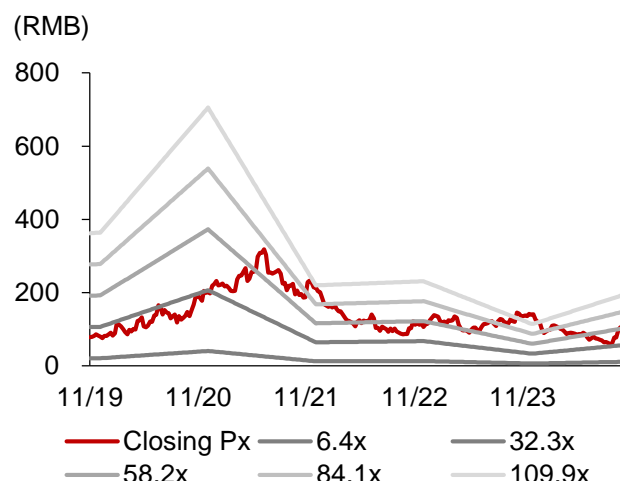
Source: Company data, CMBIGM estimates

**Figure 20: 1-yr forward P/E band**



Source: Company data, Bloomberg, CMBIGM estimates

**Figure 21: 1-yr forward P/E chart**



Source: Company data, Bloomberg, CMBIGM estimates

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