

Willsemi (603501 CH)

Solid 1Q25 earnings driven by robust auto momentum; Maintain BUY

Willsemi announced 1Q25 results. Revenue was RMB6.5bn, up 15% YoY and down 5% QoQ on normal seasonality. The growth was largely driven by strong auto CIS demand from the accelerating "smart driving equality" trend. The favourable product mix (higher auto CIS sales) and better supply chain mgmt. improved GPM to 31.0% in 1Q (vs. 29.0%/27.9% in 4Q24/1Q24). NP increased to RMB866mn, up 55% YoY, from a low base in 1Q24, on margin recovery. We expect Willsemi's revenue to grow sequentially in the following quarters. We maintain our FY25 revenue/NP forecasts at RMB32.1bn/RMB5.1bn, implying 25%/53% growth YoY. Willsemi is one of our top picks. **Reiterate BUY with unchanged TP of RMB176.**

- **2025 to be another strong year for Willsemi's auto CIS business**, driven by 1) increasing volume as end market demand is very strong and 2) higher ASP (shifting towards higher resolutions). In 1Q25, auto CIS sales grew 60-70% YoY, as the adoption of ADAS/AD solutions rapidly expanded in China's auto market. **We project the growth of auto CIS revenue to exceed 50% YoY in 2025** (vs. 30% in 2024). The company is also diversifying auto-related products, with analog products like PMIC securing solid design wins. We project analog sales to grow 30%+ YoY in 2025 (vs. 23% in 2024), riding the tailwind of automotive electrification and "smart driving equality" trends and strengthened partnership with China OEMs (Willsemi's high-end auto CIS 8MP solutions have covered a broad OEM customer base).
- **Mobile CIS to achieve better growth in 2H25, benefitted by consistent design wins, new product launches and seasonality effect.** We expect Willsemi's mobile CIS sales to grow modestly at 5% YoY growth this year, largely due to 1) weaker-than-expected demand, and 2) the Company's new 50MP/+ CIS products (60%+ sales contribution in FY24) are expected to generate revenue in 2H25. We project higher revenue growth of 15% YoY for 2026, driven by 1) rising demand for AI-features and streaming needs, which requires higher resolutions, 2) increasing penetration of domestic premium smartphones, and 3) geopolitical uncertainties lifting domestic supply chain.
- **Maintain BUY with unchanged TP at RMB176.** We slightly revise down FY25 revenue forecast by 1.6%, reflecting lower mobile CIS sales. We lift our GPM projection by 1ppt to 33.1%, on better-than-expected margin recovery and stronger impact from a favourable product mix. NP is unaffected at RMB5.1bn. Our TP is based on the same 41x 2025E P/E, as we believe the company's strategic focus on the auto sector, alongside its strong presence in the mobile CIS space, will ensure long-term success on the global stage. **Potential risks include:** rising US-China geopolitical tensions; slower-than-expected product R&D; falling demand, etc.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	21,021	25,731	32,142	40,728	51,020
YoY growth (%)	4.7	22.4	24.9	26.7	25.3
Gross margin (%)	21.8	29.4	33.1	35.4	36.2
Net profit (RMB mn)	555.6	3,323.2	5,094.6	7,308.5	9,425.0
YoY growth (%)	(43.9)	498.1	53.3	43.5	29.0
EPS (Reported) (RMB)	0.47	2.77	4.25	6.09	7.86
YoY growth (%)	(44.0)	489.4	53.3	43.5	29.0
P/E (x)	280.0	47.5	31.0	21.6	16.7
ROE (%)	2.8	14.6	19.2	22.8	23.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB176.00
Up/Downside 33.8%
Current Price RMB131.58

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Stock Data

Mkt Cap (RMB mn)	156,584.3
Avg 3 mths t/o (RMB mn)	3,387.0
52w High/Low (RMB)	157.98/82.70
Total Issued Shares (mn)	1190.0

Source: FactSet

Shareholding Structure

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

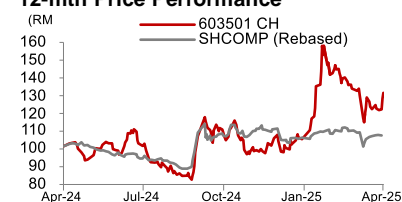
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-0.9%	0.9%
3-mth	24.7%	23.6%
6-mth	22.6%	22.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earning revisions

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	32,142	40,728	51,020	32,655	39,525	NA	-2%	3%	NA
Gross profit	10,642	14,434	18,445	10,515	12,727	NA	1%	13%	NA
Net profit	5,095	7,308	9,425	5,108	6,485	NA	0%	13%	NA
EPS (RMB)	4.246	6.092	7.856	4.290	5.450	NA	-1%	12%	NA
Gross margin	33.1%	35.4%	36.2%	32.2%	32.2%	NA	0.9 ppt	3.2 ppt	NA
Net margin	15.9%	17.9%	18.5%	15.6%	16.4%	NA	0.2 ppt	1.5 ppt	NA

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	20,078	21,021	25,731	32,142	40,728	51,020
Cost of goods sold	(13,903)	(16,446)	(18,154)	(21,500)	(26,295)	(32,574)
Gross profit	6,175	4,574	7,576	10,642	14,434	18,445
Operating expenses	(3,719)	(3,297)	(3,908)	(4,795)	(6,178)	(7,866)
Selling expense	(516)	(467)	(557)	(643)	(815)	(1,020)
Admin expense	(25)	(33)	(40)	(50)	(64)	(80)
SG&A expense	(765)	(623)	(748)	(771)	(876)	(969)
R&D expense	(2,496)	(2,234)	(2,622)	(3,375)	(4,480)	(5,867)
Others	82	60	59	45	57	71
Operating profit	2,456	1,277	3,668	5,847	8,256	10,579
Other income	5	26	13	0	0	0
Other expense	(2)	(2)	(5)	0	0	0
Gain/loss on financial assets at FVTPL	(1,425)	(367)	(639)	(336)	(363)	(450)
Investment gain/loss	1,047	73	182	228	289	362
Other gains/(losses)	(186)	140	47	56	54	53
EBIT	1,895	1,148	3,266	5,795	8,236	10,544
Interest income	27	96	330	466	622	822
Interest expense	(494)	(534)	(327)	(327)	(344)	(387)
Net Interest income/(expense)	(467)	(438)	4	139	277	435
Other income/expense	(127)	(19)	9	0	0	0
Pre-tax profit	1,301	691	3,278	5,934	8,513	10,978
Income tax	(343)	(148)	6	(890)	(1,277)	(1,647)
After tax profit	958	544	3,284	5,044	7,236	9,332
Minority interest	(32)	(12)	(39)	(50)	(72)	(93)
Net profit	990	556	3,323	5,095	7,308	9,425

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	19,613	20,264	21,804	28,822	35,308	48,488
Cash & equivalents	4,026	9,086	10,185	14,356	18,331	24,858
Account receivables	2,502	4,031	3,964	5,965	6,334	9,228
Inventories	12,356	6,322	6,956	7,405	9,319	12,770
Prepayment	236	221	251	579	733	918
Financial assets at FVTPL	14	133	0	0	0	0
Other current assets	479	472	448	518	591	715
Non-current assets	15,577	17,479	17,160	17,546	17,725	18,317
PP&E	2,047	2,586	3,126	3,399	3,596	3,856
Right-of-use assets	209	176	154	107	66	31
Intangibles	2,018	2,305	2,216	2,088	1,953	1,804
Goodwill	3,169	3,861	3,632	3,632	3,632	3,632
Other non-current assets	8,134	8,551	8,032	8,320	8,478	8,993
Total assets	35,190	37,743	38,965	46,368	53,033	66,805
Current liabilities	10,373	9,069	7,595	11,505	11,506	15,958
Short-term borrowings	3,632	2,671	1,086	2,090	1,930	4,123
Account payables	1,128	1,663	1,935	2,777	2,410	4,016
Tax payable	145	229	229	277	314	397
Other current liabilities	5,079	4,055	3,787	5,720	6,063	6,444
Contract liabilities	125	187	226	282	357	447
Accrued expenses	263	264	332	360	432	531
Non-current liabilities	6,717	7,180	7,167	6,120	6,321	7,417
Long-term borrowings	2,750	2,977	3,472	1,801	1,966	2,453
Bond payables	2,347	2,444	2,524	2,542	2,542	2,542
Obligations under finance leases	145	122	97	133	142	185
Deferred income	24	25	22	29	31	40
Other non-current liabilities	1,451	1,611	1,052	1,616	1,640	2,197
Total liabilities	17,090	16,248	14,762	17,625	17,827	23,375
Share capital	1,185	1,216	1,216	1,216	1,216	1,216
Retained earnings	8,572	9,008	11,868	16,459	22,994	31,311
Other reserves	8,261	11,227	11,117	11,117	11,117	11,117
Total shareholders equity	18,018	21,451	24,201	28,792	35,328	43,644
Minority interest	82	44	1	(49)	(122)	(215)
Total equity and liabilities	35,190	37,743	38,965	46,368	53,033	66,805

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	958	544	3,284	5,044	7,236	9,332
Depreciation & amortization	1,045	1,166	1,295	1,357	1,573	1,687
Change in working capital	(5,300)	5,175	(699)	(908)	(1,775)	(5,499)
Others	1,303	651	892	(278)	(606)	44
Net cash from operations	(1,993)	7,537	4,772	5,216	6,428	5,563
Investing						
Capital expenditure	(2,259)	(1,048)	(1,249)	(1,533)	(1,747)	(2,066)
Net proceeds from disposal of short-term investments	7	7	28	30	41	53
Others	(1,765)	(1,422)	415	274	422	439
Net cash from investing	(4,017)	(2,464)	(806)	(1,229)	(1,283)	(1,574)
Financing						
Dividend paid	(822)	(574)	(664)	(831)	(1,117)	(1,495)
Net borrowings	3,242	(2,009)	(1,297)	1,073	5	2,680
Proceeds from share issues	273	3,394	218	0	0	0
Others	(438)	(875)	(1,264)	(58)	(58)	(58)
Net cash from financing	2,255	(64)	(3,007)	184	(1,170)	1,127
Net change in cash						
Cash at the beginning of the year	7,630	3,995	9,055	10,153	14,323	18,298
Exchange difference	120	51	143	0	0	0
Others	(3,755)	5,009	955	4,170	3,975	6,527
Cash at the end of the year	3,995	9,055	10,153	14,323	18,298	24,825
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(16.7%)	4.7%	22.4%	24.9%	26.7%	25.3%
Gross profit	(25.7%)	(25.9%)	65.6%	40.5%	35.6%	27.8%
Operating profit	(51.1%)	(48.0%)	187.2%	59.4%	41.2%	28.1%
EBIT	(64.6%)	(39.4%)	184.4%	77.5%	42.1%	28.0%
Net profit	(77.9%)	(43.9%)	498.1%	53.3%	43.5%	29.0%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	30.8%	21.8%	29.4%	33.1%	35.4%	36.2%
Operating margin	12.2%	6.1%	14.3%	18.2%	20.3%	20.7%
Return on equity (ROE)	5.8%	2.8%	14.6%	19.2%	22.8%	23.9%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	1.9	2.2	2.9	2.5	3.1	3.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	156.6	280.0	47.5	31.0	21.6	16.7
P/E (diluted)	156.6	280.0	47.5	31.0	21.6	16.7

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

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