25 Aug 2026

CMB International Global Markets | Equity Research | Company Update

# OmniVision (603501 CH)

## Early signs of inflection at a cyclical trough

OmniVision reported 1H26 revenue of RMB14.0bn, flat YoY, while net profit fell 39.9% YoY and GPM declined 1.7ppt YoY to 28.8%, as lower-margin distribution revenue rose 41% YoY to 23% of total sales. 2Q26 revenue rose 18.7% QoQ to RMB7.61bn, exceeding guidance of RMB7.15-7.54bn and Bloomberg consensus of RMB7.4bn, although GPM remained soft at 28.3%. The 3Q26 guidance of RMB7.58-8.13bn revenue and 29.4-30.7% GPM points to modest sequential growth but a clearer margin recovery. We cut 2026E/27E revenue by 12%/12% and GPM by 2.1ppt/2.9ppt factoring in the results. Nevertheless, we maintain BUY as earnings approach a cyclical trough and the mix shifts toward higher-value applications. We lower our TP to RMB125, based on 33x 2027E P/E (previously 33x 2026E), below its two-year historical forward avg. P/E of 36.7x to reflect cyclical weakness.

- **Mixed segment performance, but higher-value applications remained resilient.** Consumer-electronics CIS revenue fell 31% YoY and accounted for 31% of CIS sales, reflecting weak smartphone demand and product transitions. Auto CIS declined 16% YoY and represented 34% of CIS sales, as inventory adjustments weighed mainly on 1Q26; however, demand recovered visibly in 2Q26 and should benefit from rising camera content and higher-resolution ADAS adoption. In contrast, professional-imaging CIS grew 53% YoY to 14% of CIS sales, machine-vision and robotics CIS increased over 70% YoY, medical CIS rose 15% YoY, auto analog expanded 67% YoY, and display solutions grew ~13% YoY. This divergence suggests a structural product-mix transition rather than a broad-based deterioration in competitiveness, in our view.
- **Robotics, auto analog and optical connectivity are emerging as new growth engines.** Higher-end robotic data-collection systems can carry over US$100 of image-sensor content, offering meaningful upside despite the business's small current base. In auto analog, OmniVision is expanding across MCU, PMIC and SBC products, leveraging its established customer base to evolve from a sensor vendor into a platform supplier. Optical connectivity could offer an even larger opportunity, with mgmt. estimating that its product portfolio could provide US$10 or more of semiconductor content per optical module, depending on product adoption. We therefore view optical connectivity as meaningful long-term earnings optionality rather than a material near-term contributor.
- **OmniVision is entering a gradual recovery.** Volume stabilization became visible in 2Q26, while margin normalization should begin in 3Q26. Structural earnings expansion is more likely in 2027, when higher-value businesses should contribute for a full year. Maintain BUY with TP of RMB125.
- **Key risks:** Slower-than-expected product R&D, weak demand recovery, 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)** | 29.8 | 24.5 | 29.4 | 21.8 | 18.2 |

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

| | |
|---|---|
| **Target Price** | **RMB125.00** |
| (Previous TP | RMB136.00) |
| **Up/Downside** | **51.5%** |
| **Current Price** | **RMB82.50** |

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**Stock Data**

| | |
|---|---|
| Mkt Cap (RMB mn) | 99,577.5 |
| Avg 3 mths t/o (RMB mn) | 2,878.7 |
| 52w High/Low (RMB) | 151.17/82.50 |
| Total Issued Shares (mn) | 1207.0 |

Source: FactSet

**Shareholding Structure**

| | |
|---|---|
| Yu Renrong | 25.1% |
| SX WEIHAO EQU INVEST FUND | 6.1% |

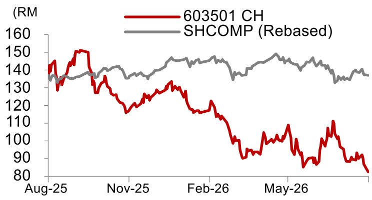
Source: HKEx

**Share Performance**

| | Absolute | Relative |
|---|---|---|
| 1-mth | -14.9% | -16.3% |
| 3-mth | -20.9% | -16.2% |
| 6-mth | -29.7% | -25.4% |

Source: FactSet

**12-mth Price Performance**




Source: FactSet

## Figure 1: Earnings revision

| | New | | | Old | | | Diff (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| **RMBmn** | **FY26E** | **FY27E** | **FY28E** | **FY26E** | **FY27E** | **FY28E** | **FY26E** | **FY27E** | **FY28E** |
| **Revenue** | 29,996 | 35,294 | 39,554 | 34,051 | 40,080 | 47,141 | -11.9% | -11.9% | -16.1% |
| **Gross profit** | 8,886 | 10,713 | 12,310 | 10,794 | 13,347 | 16,311 | -17.7% | -19.7% | -24.5% |
| **Net profit** | 3,396 | 4,584 | 5,482 | 4,978 | 6,749 | 8,861 | -31.8% | -32.1% | -38.1% |
| **EPS (RMB)** | 2.81 | 3.79 | 4.53 | 4.15 | 5.62 | 7.38 | -32.4% | -32.6% | -38.6% |
| **Gross margin** | 29.6% | 30.4% | 31.1% | 31.7% | 33.3% | 34.6% | -2.1 ppt | -2.9 ppt | -3.5 ppt |
| **Net margin** | 11.3% | 13.0% | 13.9% | 14.6% | 16.8% | 18.8% | -3.3 ppt | -3.9 ppt | -4.9 ppt |

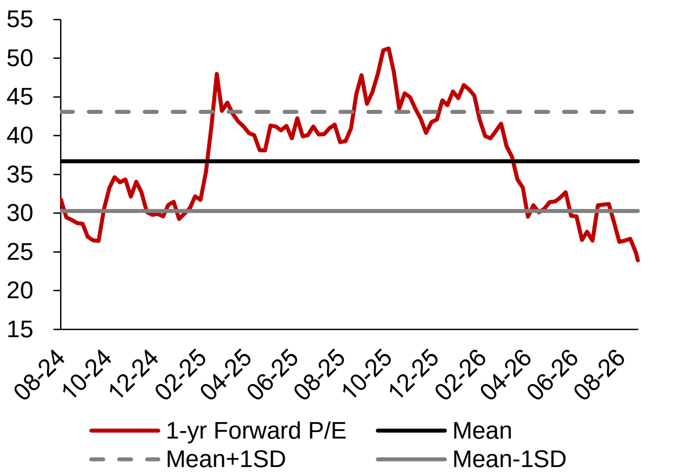
Source: Company data, CMBIGM estimates

## Figure 2: CMBIGM estimates vs. BBG consensus

| | CMBI estimates | | | Consensus | | | Diff (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| **RMBmn** | **FY26E** | **FY27E** | **FY28E** | **FY26E** | **FY27E** | **FY28E** | **FY26E** | **FY27E** | **FY28E** |
| **Revenue** | 29,996 | 35,294 | 39,554 | 30,695 | 35,953 | 41,264 | -2.3% | -1.8% | -4.1% |
| **Gross profit** | 8,886 | 10,713 | 12,310 | 9,163 | 11,098 | 13,110 | -3.0% | -3.5% | -6.1% |
| **Net profit** | 3,396 | 4,584 | 5,482 | 4,109 | 5,521 | 6,595 | -17.3% | -17.0% | -16.9% |
| **EPS (RMB)** | 2.81 | 3.79 | 4.53 | 3.25 | 4.31 | 5.07 | -13.5% | -12.1% | -10.6% |
| **Gross margin** | 29.6% | 30.4% | 31.1% | 29.9% | 30.9% | 31.8% | -0.2 ppt | -0.5 ppt | -0.6 ppt |
| **Net margin** | 11.3% | 13.0% | 13.9% | 13.4% | 15.4% | 16.0% | -2.1 ppt | -2.4 ppt | -2.1 ppt |

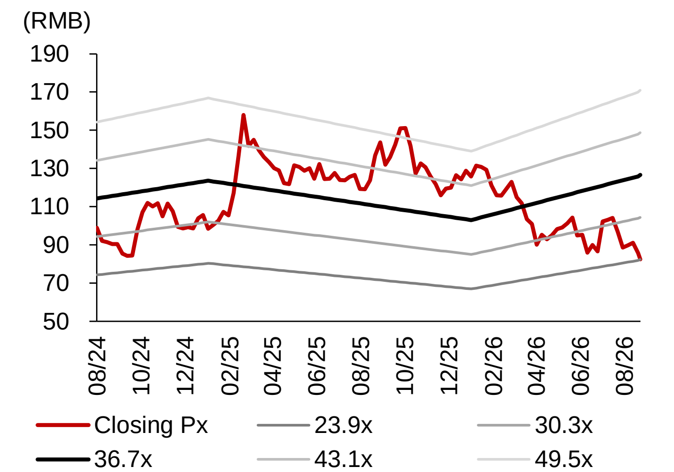
Source: Bloomberg consensus, CMBIGM estimates

## Figure 3: P/E chart




Source: Company data, CMBIGM estimates

## Figure 4: P/E band




Source: Company data, CMBIGM estimates

# 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 | 175.5 | 29.8 | 24.5 | 29.4 | 21.8 | 18.2 |
| P/E (diluted) | 175.5 | 29.8 | 24.5 | 29.4 | 21.8 | 18.2 |

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

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| | |
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