

## Continue to strive for quality growth

Rating	<b>BUY</b>	Maintain
Target price	<b>HK\$9.42</b>	From HK\$5.44
Current price	<b>HK\$7.63</b>	Upside: +23.4%

■ **FY24 result in-line with profit alert, thanks to GM improvement and lower OPEX ratio**

QT's FY24 net profit arrived at near the mid-point of the profit alert (issued in mid-Jan 25), revenue and net profit each rose 28.9%/2.41x Yoy to RMB16,151mn/RMB279mn. QT's revenue was above our forecast by 7%, but net profit came in 5.4% below our estimates due to higher effective tax rate (39% in FY24 vs. 22% in FY23). In FY24, QT's tax dispute in India (as disclosed in Nov 2024) which gave rise to relevant tax provision (~RMB89mn) and DTA adjustment (~RMB65mn). The robust FY24 result was attributed to **i) improved smartphone demand led to CCM shipment volume and QT's market share increase in global smartphone OEMs; ii) Blended GM was up 2.0ppts Yoy /0.9 ppts Hoh Yoy to 6.1%, thanks to higher utilization rate and better product mix. GM slight beat market consensus (median estimate at 5.7%), but largely in-line with our 5.9% forecast; iii) Non-smartphone segment ramp-up and iv) share of Newmax loss narrowed by 26% to RMB36.5mn. QT declare HK\$0.10/RMB0.093 final dividend (the first final dividend since FY20), equivalent to 39% payout ratio.**

■ **Decent FY25E shipment guidance; Improved product mix to drive ASP and GM; Non-smartphone CCM (automotive+ IoT) shipment volume growth continue to outperform**

QT's CCM revenue grew 28.2% Yoy to RMB14,819mn driven by both ASP and smartphone CCM shipment volume growth (+10.4% Yoy /+15.4% Yoy). Improved smartphone demand and product mix (i.e. higher mix of.  $\geq 32$ MP and other CCM) further drove CCM GM up by 0.5 ppts HoH to 6.1% (vs. 5.7%/3.6%/3.6%/4.9%/5.6% in 1H22/2H22/1H23/2H23/1H24), the highest since 2H21.

In FY24,  $\geq 32$ MP CCM shipment rocketed 42.5% Yoy and took up 50.8% of total CCM shipment, in which the contribution hit a record high at 59% in Dec 2024. Management also shared that OIS and periscope CCM each accounted for 12.9%/1.8% of total CCM shipment (1H24:12.0%/0.7%) and further guided periscope sales volume to grow more than double in FY25E. **QT's FY25E guidance on CCM include: i)  $\geq 32$ MP CCM to account for >55% of total CCM shipment and ii) Non-handset CCM sales volume to grow >40% Yoy**

QT's non-smartphone CCM shipment grew 59% Yoy to 12mn in FY24 (~2.8% of total CCM shipment. This reflects QT continued to make good progress in non-smartphone segment. For automotive CCM products, sales volume was up 445% Yoy in FY24 (with total capacity currently at 1mn units/month) QT established co-operative relationships with 7 leading global intelligent driving solution providers (Tier-1) and obtained supplier qualification from 34 leading global car brands including NEV brands.

Q tech not only has shipped CCM used in ADAS/ in-cabin systems to renowned clients including SGMW, Geely, XPeng, but also passed the qualification certification from other automotive Tier-1 supplier (both overseas and domestic) and OEMs namely Continental, BYD, Nio, Aito and Aion etc. These mark QT initial success to diversify CCM product mix and exploring business opportunities in non-smartphone segment, which include AD/ADAS, sensing and viewing products. QT expects LiDAR products will be shipped in 2H25E.

## Result Takeaway

19 March 2025

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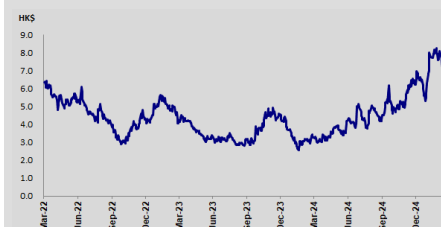
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## Trading data

52-Week Range (HK\$)	8.34/2.95
3 Mth Avg Daily Vol (m)	8.03
No. of Shares (m)	1,184.54
Market Cap (HK\$m)	9,038.0
Major Shareholders (%)	He Ning Ning (63.74%)
Auditors	KPMG
Result Due	1H25E: Aug 2025

## Company description

Established in 1997 and listed in HKEx in 2014, Q-tech (QT) is a leading PRC-based camera module manufacturer focusing on mid-to-high end camera module market for Chinese branded smart phone and tablet PC manufacturers. Q-tech was one of the first few manufacturers in China to use the COB (chip on board) and COF (chip on flex) assembly technologies in the manufacture of camera modules. Current customer portfolio includes leading Chinese smartphone players such as vivo, OPPO and Huawei etc



Sources: Bloomberg, CIRC

QT targets to become a Tier -1.5 player provide both hardware and software solutions to Tier-1. Though automotive CCM would enjoy both higher ASP and GM in the long run. In IoT, QT has become the core CCM supplier for the global leading brand of customer drone and portable imaging device. QT also established co-operative relationships with leading global VR headset brands and high-calibre domestic embodied robot company. QT's non-smartphone arm is still ramping up and takes time to achieve economy of scale, we expect non-smartphone GM would stay below company average in FY25E-26E.

In 2M25, QT's total CCM shipment (incl both smartphone + non-smartphone) reached 59.8mn units and smartphone CCM contributed ~96% of total shipment. We model QT's FY25E total CCM shipment would be ~430mn units (+15.0% Yoy), in which non-smartphone CCM (IoT+ auto CCM) shipment would contribute ~3% (>15mn units) of total CCM shipment.

CCM's ASP posted another back-to-back Yoy/HoH in 2H24, ASP reached ~RMB36.0 (+11.5% Yoy /+10.1% HoH), We expect increased contribution from high end CCM and lower material cost would continue benefit QT's GM recovery in FY25E-FY26E.

#### ■ FPM GM turnaround on improved product mix, ultrasonic FPM to drive ASP and margin

In FY24, FPM segment revenue beat our forecast by 19% and soared 50% Yoy to RMB1,178mn (7.3% of total revenue vs. 1H24 : 5.1%), on the back of 3.3% Yoy increase in ASP due to successful ultrasonic FPM ramp up, and 46.0% Yoy increase in shipment volume at 161.0mn units. Segment GM significantly turnaround at 4.9% in FY24 (vs. 1H24: -3.7%) on higher UGFP+ ultrasonic FPM volume mix (66% in total in FY24). QT began to ship ultrasonic FPM in Apr 24 and accounted ~ 5% of total FPM shipment in FY24 (vs. our estimate at low single digit). QT guided FY25E shipment to grow >20%, we expect UGFP and ultrasonic FPM each would account for >50%/ low-mid teens of FPM shipment in FY25E/26E. With increasing ultrasonic FPM contribution in FY25E/26E, we still expect both ASP and GM have room to improve.

#### ■ Expect FY24-27E earnings to grow 30% CAGR, quality growth to drive earnings; Non-smartphone segment still takes time to bear fruit; Maintain BUY

We life QT's FY25E/26E earnings forecasts by 10.1%/10.2% and introduce FY27E estimates. We expect QT's FY24-27E sales and net profit to grow 12.6%/30.5% CAGR, driven by gradual sales and GM recovery, as management continue to focus on long term quality growth, while non-smartphone segment is still ramping up and contribution would be minimal in FY25E/26E.

QT is trading at FY25E 18.0x PE (~13% above its average since listing in 2014). We arrive QT's new TP at HK\$9.42, which translates to FY25E 22.2x PE (unchanged 30% discount to Sunny Optical). QT continues making their way to diversify sales and client mix. It still takes time for non-smartphone segment to bear fruit, while focusing on core business quality growth. We maintain QT's rating at BUY.

**Exhibit 1: QT's revenue growth assumption in FY25E-27E**

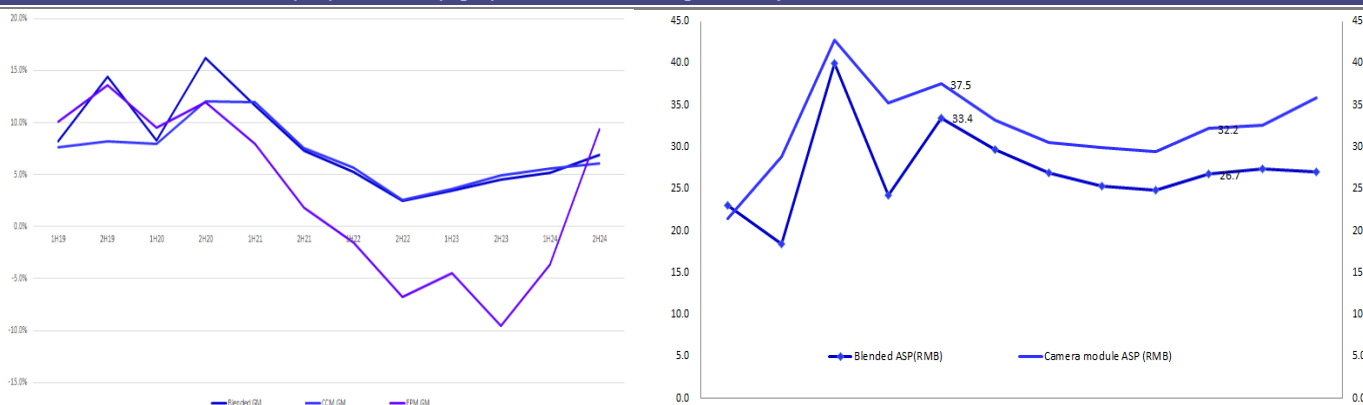
	FY25E (old)	FY25E (new)	Diff	FY26E(old)	FY26E(new)	Diff	FY27E	Yoy(%)
Revenue	17,230	18,872	9.5%	19,284	21,070	9.3%	23,088	9.6%
Gross profit	1,270	1,273	0.2%	1,419	1,443	1.7%	1,604	11.2%
GM	6.5%	6.7%	+20bps	6.7%	6.8%	+10bps	6.9%	+10bps
Net Profit	423	465	10.0%	510	561	10.1%	620	10.5%
Basic EPS	0.357	0.393	10.1%	0.430	0.474	10.2%	0.524	10.5%

Source: CIRC estimates

**Exhibit 2: QT's revenue growth assumption in FY25E-27E**

Year to Dec (RMB mn)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Segment Revenue</b>						
<b>CCM</b>						
<32MP	10,604	8,638	8,594	7,734	6,961	6,265
≥32MP/Dual/multi cam	1,461	2,265	4,970	7,430	9,143	10,460
Others (IoT, auto CCM etc.)	496	659	1,256	2,094	3,130	4,320
<b>Total CCM</b>	<b>12,561</b>	<b>11,562</b>	<b>14,819</b>	<b>17,258</b>	<b>19,248</b>	<b>21,187</b>
<b>Fingerprint recognition module</b>						
Fingerprint recognition module (incl. UDFP & Ultrasonic FPM)	1,064	781	1,178	1,455	1,659	1,734
- UDFP	905	1,106	1,195	1,225	1,078	862
- Ultrasonic FPM	0	0	127	204	245	254
<b>Total FP</b>	<b>1,064</b>	<b>781</b>	<b>1,178</b>	<b>1,455</b>	<b>1,659</b>	<b>1,734</b>
Others (sales of prototype)	134	188	153	158	163	168
<b>Group</b>	<b>13,759</b>	<b>12,531</b>	<b>16,151</b>	<b>18,872</b>	<b>21,070</b>	<b>23,088</b>
<b>Segment Revenue Growth</b>						
<32MP	-26.2%	-18.5%	-0.5%	-10.0%	-10.0%	-10.0%
≥32MP/Dual/multi cam	-36.5%	-26.5%	50.8%	23.5%	14.0%	4.5%
<b>Total CCM</b>	<b>-25.6%</b>	<b>-8.0%</b>	<b>28.2%</b>	<b>16.5%</b>	<b>11.5%</b>	<b>10.1%</b>
Fingerprint recognition module (incl. UDFP & Ultrasonic FPM)	-36.5%	-26.5%	50.8%	23.5%	14.0%	4.5%
<b>Group</b>	<b>-26.3%</b>	<b>-8.9%</b>	<b>28.9%</b>	<b>16.8%</b>	<b>11.6%</b>	<b>9.6%</b>

Source: Company data, CIRL estimates

**Exhibit 3: Q Tech's CCM GM (left) and ASP (right) showed further signs of improvement**


Source: Company data, CIRL

**Exhibit 4: Q Tech's quarterly shipment breakdown (1Q21-4Q24, reclassification from Jan 2022)**

Product Shipment (k pieces)		1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Total smartphone CCM shipment		104,363	119,465	122,903	132,388	112,044	99,326	106,574	99,202	84,329	82,254	92,885	106,354	103,710	112,209	96,091	109,152
Yoy(%)		39.1%	13.6%	19.6%	20.9%	7.4%	-16.9%	-13.3%	-25.1%	-24.7%	-17.2%	-12.8%	7.2%	23.0%	36.4%	3.5%	2.6%
QoQ(%)		-4.7%	14.5%	2.9%	7.7%	-15.4%	-11.4%	7.3%	-6.9%	-15.0%	-2.5%	12.9%	14.5%	-2.5%	8.2%	-14.4%	13.6%
<32MP CCM		73,890	77,492	86,223	89,629	81,184	71,835	76,878	66,841	57,364	49,119	55,724	55,796	56,006	56,477	48,801	49,294
Yoy(%)		-	-	-	-	9.9%	-7.3%	-10.8%	-25.4%	-29.3%	-31.6%	-27.5%	-16.5%	-2.4%	15.0%	-12.4%	-11.7%
QoQ(%)		#DIV/0!	4.9%	11.3%	4.0%	-8.4%	-11.5%	7.0%	-13.1%	-14.2%	-14.4%	13.4%	0.1%	0.4%	0.8%	-13.6%	1.0%
>32MP CCM (dual+multi CCM+3D sensing)		71,991	41,353	35,910	41,674	30,860	27,491	29,696	32,361	26,965	33,135	37,161	50,558	47,704	55,732	47,290	59,858
Yoy(%)		-	-	-	-	-57.1%	-33.5%	-17.3%	-22.3%	-12.6%	20.5%	25.1%	56.2%	76.9%	68.2%	27.3%	18.4%
QoQ(%)		#DIV/0!	-42.6%	-13.2%	16.1%	-25.9%	-10.9%	8.0%	9.0%	-16.7%	22.9%	12.2%	36.1%	-5.6%	16.8%	-15.1%	26.6%
Other CCM (incl. auto, IoT etc)		534	608	615	1,108	594	1,064	1,846	3,115	1,044	1,683	2,383	2,526	2,910	2,554	2,844	3,818
Yoy(%)		-	-	-	-	11.2%	75.0%	200.4%	181.1%	75.8%	58.2%	29.1%	-18.9%	178.7%	51.8%	19.3%	51.1%
QoQ(%)		-	13.8%	1.1%	80.3%	-46.4%	79.1%	73.5%	68.7%	-66.5%	61.2%	41.6%	6.0%	15.2%	-12.2%	11.4%	34.2%
Total CCM (smartphone+non-smartphone)		104,897	120,073	122,903	132,388	112,638	100,390	108,420	102,317	85,373	83,937	95,268	108,880	106,620	114,763	98,935	112,970
Yoy(%)		39.1%	13.6%	19.6%	20.9%	7.4%	-16.4%	-11.8%	-22.7%	-24.2%	-16.4%	-12.1%	6.4%	24.9%	36.7%	3.8%	3.8%
QoQ(%)		-4.7%	14.5%	2.4%	7.7%	-14.9%	-10.9%	8.0%	-5.6%	-16.6%	-1.7%	13.5%	14.3%	-2.1%	7.6%	-13.8%	14.2%
Non smartphone CCM %		0.5%	0.5%	0.5%	0.8%	0.5%	1.1%	1.7%	3.1%	1.2%	2.0%	2.6%	2.4%	2.8%	2.3%	3.0%	3.5%
Fingerprint module		27,622	27,753	27,719	31,489	26,272	24,379	27,609	33,252	22,121	28,490	28,997	30,630	26,060	33,024	46,535	55,367
UGFP		15,668	15,354	11,808	16,271	11,012	11,389	11,116	13,992	12,209	17,405	21,038	21,903	18,906	23,416	26,512	29,147
Non UGFP		11,954	12,399	15,911	15,218	15,260	12,990	16,493	19,260	9,912	11,085	7,959	8,727	7,154	9,214	17,390	20,755
Ultrasonic FPM		-	-	-	-	-	-	-	-	-	-	-	-	0	394	2,633	5,465
Total Yoy(%)		60.6%	22.1%	21.5%	7.8%	-4.9%	-12.2%	-0.4%	5.6%	-15.8%	16.9%	5.0%	-7.9%	17.8%	15.9%	60.5%	80.8%
Total QoQ(%)		28.0%	0.5%	-0.1%	13.6%	-16.6%	-7.2%	13.2%	20.4%	-33.5%	28.8%	1.8%	5.6%	-14.9%	26.7%	40.9%	19.0%
UGFP % of total FPM		56.7%	55.3%	42.6%	51.7%	41.9%	46.7%	40.3%	42.1%	55.2%	61.1%	72.6%	71.5%	72.5%	70.9%	57.0%	52.6%
Ultrasonic % of total FPM		-	-	-	-	-	-	-	-	-	-	-	-	-	1.2%	5.7%	9.9%

Source: Company data, CIRL

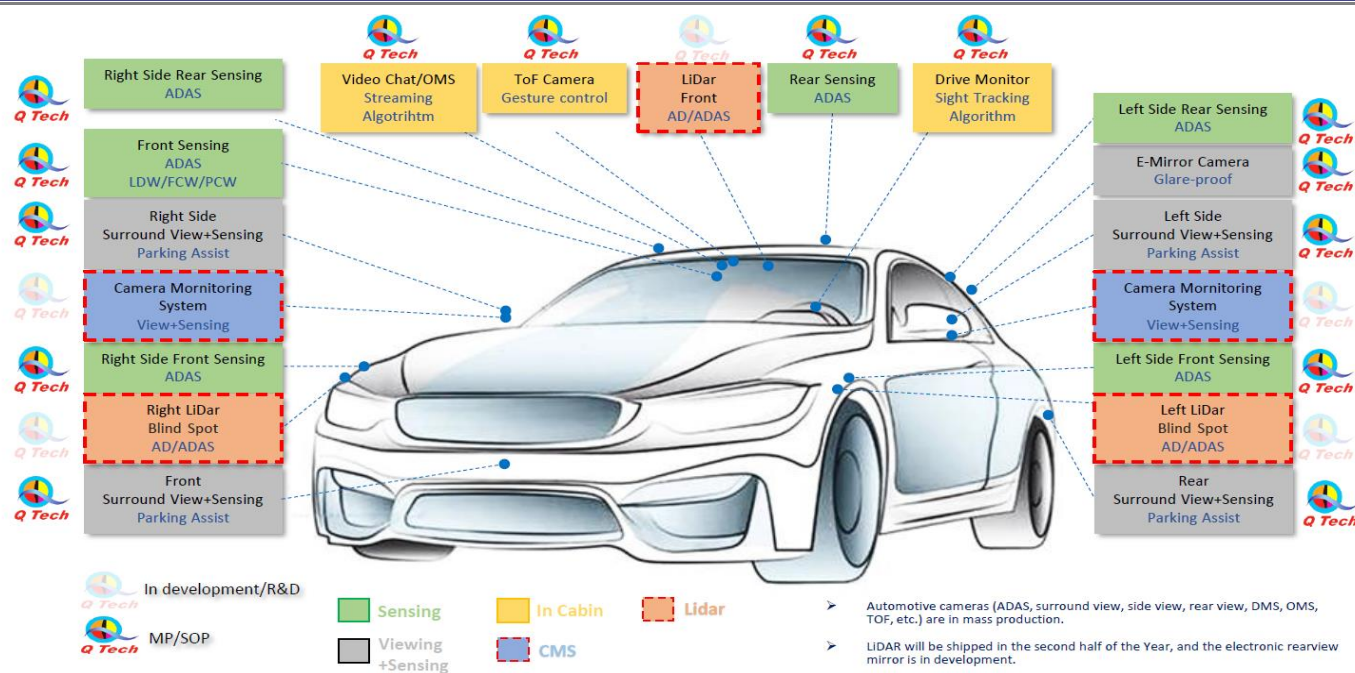
**Exhibit 5: Q Tech's revenue breakdown in 1H19-2H24**

		1H19	2H19	1H20	2H20	1H21	2H21	1H22	2H22	1H23	2H23	1H24	2H24
Revenue (RMB, Mn)		5,061	5,299	8,802	6,400	9,336	9,327	7,095	6,664	5,477	7,054	7,675	8,476
	Yoy(%)	57.8%	5.9%	73.9%	20.8%	6.1%	45.7%	-24.0%	-28.5%	-22.8%	5.9%	40.1%	20.2%
	HoH(%)	1.1%	4.7%	66.1%	-27.3%	45.9%	-0.1%	-23.9%	-6.1%	-17.8%	28.8%	8.8%	10.4%
Total Camera module shipment ('k units)		182,507	223,530	180,212	212,259	223,828	255,291	213,028	202,707	169,310	204,148	221,383	211,905
Fingerprint recognition module shipment ('k units)		37,748	64,203	39,926	52,015	55,375	59,208	50,651	60,861	50,611	59,627	59,084	101,902
Volume ('k units)		220,255	287,733	220,138	264,274	279,203	314,499	263,679	263,568	219,921	263,775	280,467	313,807
	Yoy(%)	48.9%	23.7%	-0.1%	-8.2%	26.8%	19.0%	-5.6%	-16.2%	-16.6%	0.1%	27.5%	19.0%
	HoH(%)	-5.3%	30.6%	-23.5%	20.0%	5.6%	12.6%	-16.2%	0.0%	-16.6%	19.9%	6.3%	11.9%
Blended GP		415	765	732	1,038	1,083	679	376	166	188	321	400	585
Blended GM		8.2%	14.4%	8.3%	16.2%	11.6%	7.3%	5.3%	2.5%	3.4%	4.5%	5.2%	6.9%
<b>Camera module (CCM)</b>													
Camera module revenue (Mn RMB)		3,917	6,443	7,719	7,484	8,398	8,477	6,502	6,059	4,992	6,569	7,215	7,605
	Yoy(%)	51.8%	69.6%	97.0%	16.2%	8.8%	13.3%	-22.6%	-28.5%	-23.2%	8.4%	44.5%	15.8%
	HoH(%)	3.1%	64.5%	19.8%	-3.0%	12.2%	0.9%	-23.3%	-6.8%	-17.6%	31.6%	9.8%	5.4%
Camera module ASP (RMB)		21.5	28.8	42.8	35.3	37.5	33.2	30.5	29.9	29.5	32.2	32.6	35.9
	Yoy(%)	-14.5%	22.2%	99.6%	22.3%	-12.4%	-5.8%	-18.6%	-10.0%	-3.4%	7.7%	10.5%	11.5%
	HoH(%)	-9.0%	34.3%	48.6%	-17.7%	6.4%	-11.5%	-8.1%	-2.1%	-1.4%	9.1%	1.3%	10.1%
	CCM GP	299	530	614	901	1,002	637.2	370	154.6	179	324.0	405	463.8
	CCM GM	7.6%	8.2%	8.0%	12.0%	11.9%	7.5%	5.7%	2.6%	3.6%	4.9%	5.6%	6.1%
<b>Fingerprint Recognition module</b>													
Fingerprint recognition revenue (RMB)		1,122	1,637	1,047	1,054	918	758	551	513	395	387	395	784
	Yoy(%)	80.7%	35.2%	-6.6%	-35.6%	-12.4%	-28.1%	-40.0%	-32.3%	-28.3%	-24.6%	0.0%	102.7%
	HoH(%)	-7.4%	45.9%	-36.0%	0.6%	-12.9%	-17.4%	-27.3%	-6.9%	-23.1%	-2.1%	2.1%	98.6%
Fingerprint recognition module ASP (RMB)		29.7	25.5	26.2	20.3	16.6	12.8	10.9	8.4	7.8	6.5	6.7	7.7
	Yoy(%)	116.2%	50.8%	-11.7%	-20.5%	-36.8%	-36.9%	-34.4%	-34.1%	-28.3%	-23.1%	-14.3%	18.6%
	HoH(%)	75.7%	-14.2%	2.9%	-22.7%	-18.2%	-22.8%	-15.0%	-22.5%	-7.5%	-16.9%	3.0%	15.1%
	FPM GP	113	223	99	126	73	14	(8)	(35)	(18)	(37)	(14)	73
	FPM GM	10.1%	13.6%	9.5%	12.0%	8.0%	1.8%	-1.5%	-6.7%	-4.5%	-9.5%	-3.7%	9.3%
Blended ASP(RMB)		23.0	18.4	40.0	24.2	33.4	29.7	26.9	25.3	24.9	26.7	27.4	27.0
	Yoy(%)	6.0%	-14.4%	74.0%	31.5%	-16.4%	22.5%	-19.5%	-14.7%	-7.5%	5.8%	9.9%	1.0%
	HoH(%)	6.8%	-19.8%	117.1%	-39.4%	38.1%	-11.3%	-9.3%	-6.0%	-1.5%	7.4%	2.3%	-1.3%
Fingerprint Recognition module (% of total revenue)		22.2%	30.9%	11.9%	16.5%	9.8%	8.1%	7.8%	7.7%	7.2%	5.5%	5.1%	9.2%

Source: Company data, CIRC

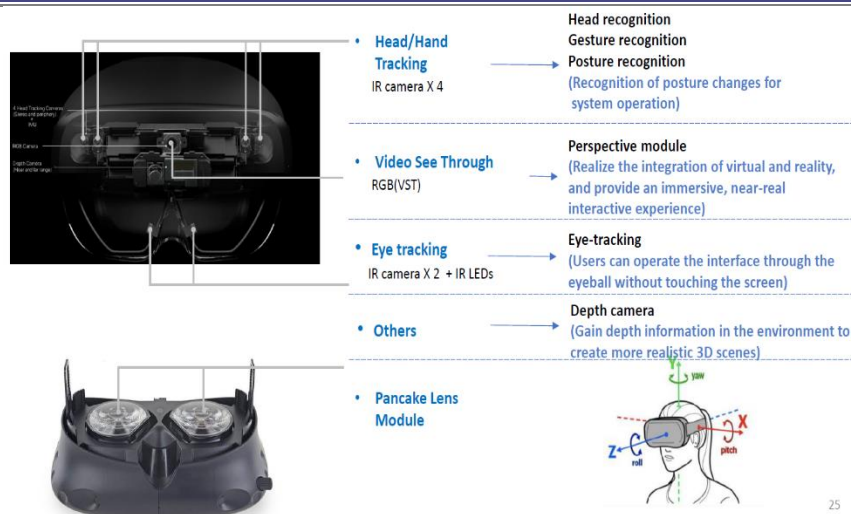


Exhibit 6: Q Tech targets to provide various automotive CCM products to clients

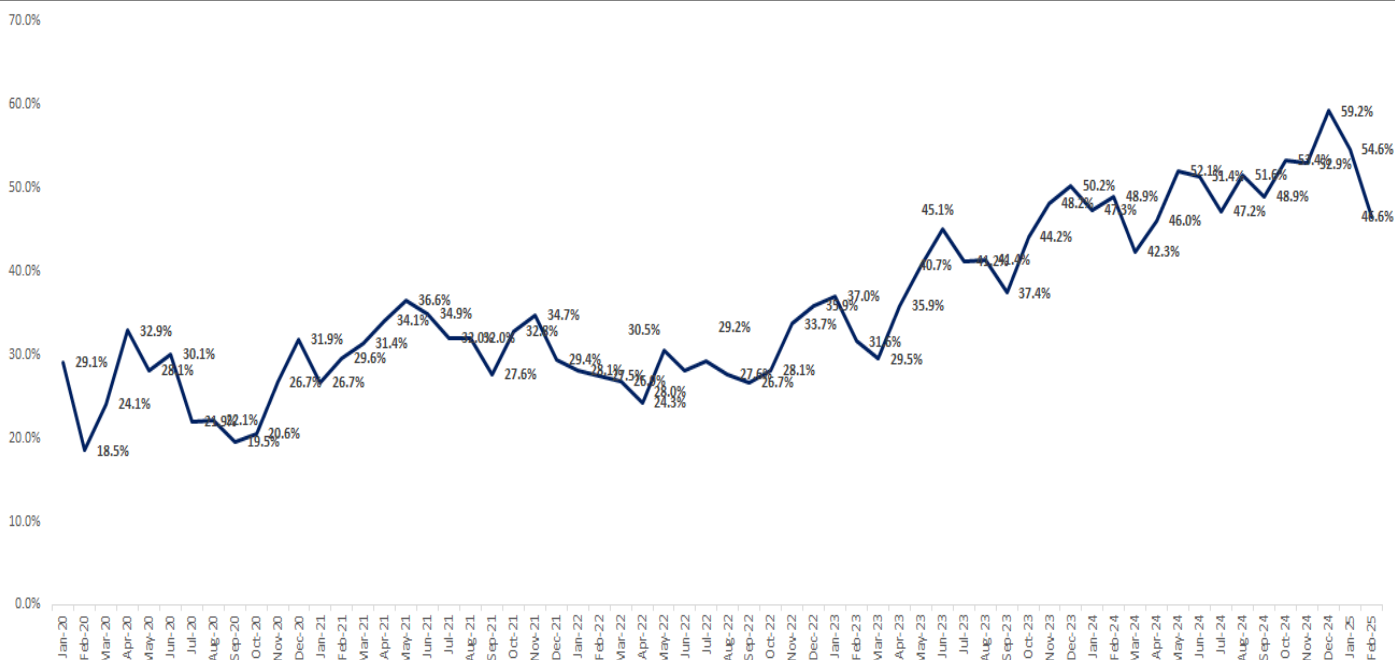


Source: Company data

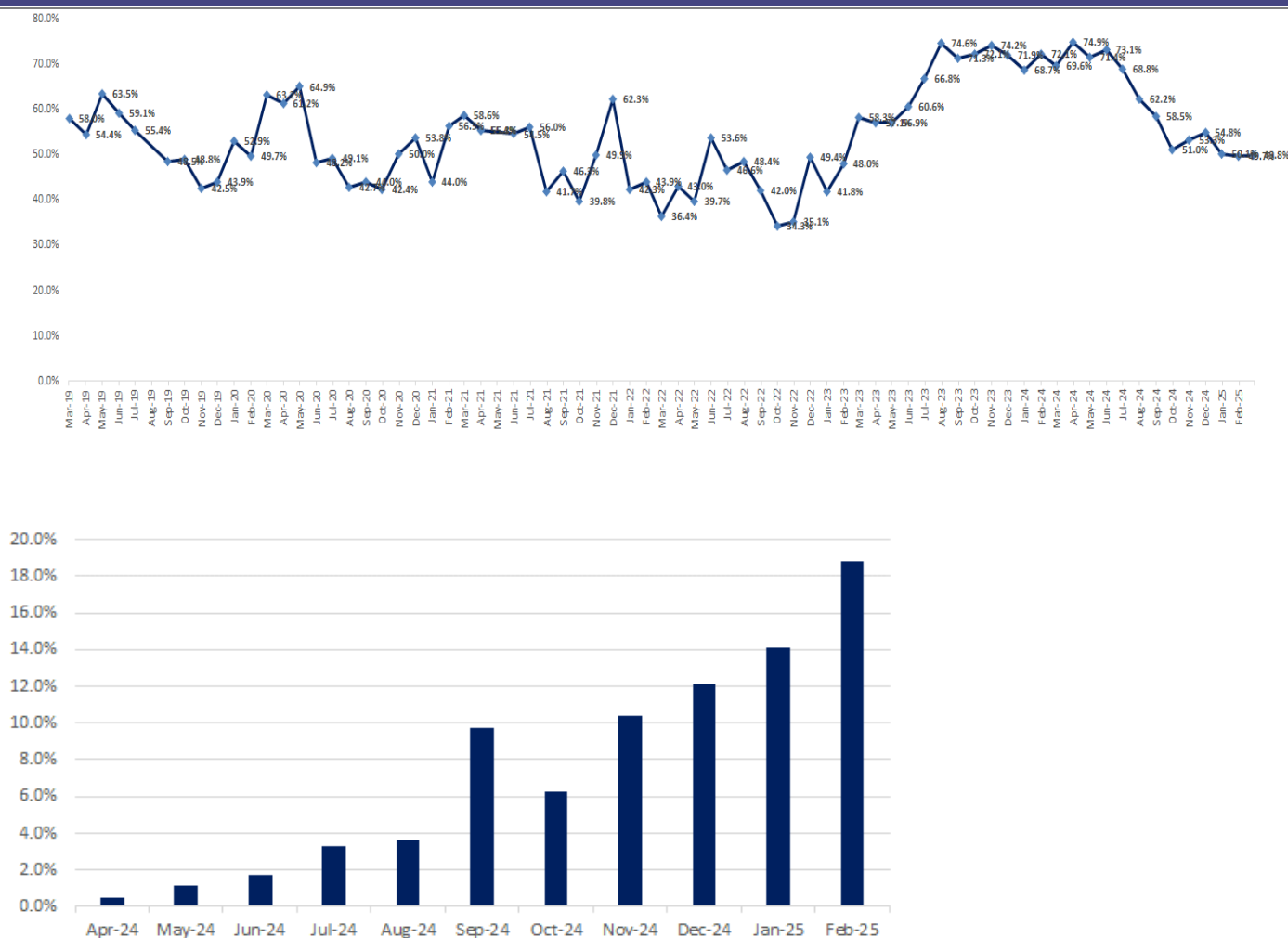
Exhibit 7: VR headset and AR glass involve wide adoption of smart vision products



Source: Company data

**Exhibit 8: Q Tech's  $\geq 32$ MP CCM shipment % (% of total CCM shipment) stood at ~50% YTD**


Source: Company data (as of Feb 25), CIRL

**Exhibit 9: Q Tech's UGFP contribution stood at ~50% of total shipment YTD (upper), while ultrasonic accounted for ~ mid-teens (lower)**


Source: Company data (As of Feb 25), CIRL

**Exhibit 10: Financial statement**

<b>Income statement</b>					
Year to Dec (RMB mn)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>12,531</b>	<b>16,151</b>	<b>18,872</b>	<b>21,070</b>	<b>23,088</b>
Gross profit (reported)	509	985	1,273	1,443	1,604
<b>EBITDA</b>	<b>733</b>	<b>1,103</b>	<b>1,268</b>	<b>1,416</b>	<b>1,553</b>
Depreciation	436	444	467	522	572
<b>EBIT</b>	<b>289</b>	<b>649</b>	<b>796</b>	<b>890</b>	<b>975</b>
Net interest income (exp.)	(171)	(152)	(189)	(169)	(185)
Associates	(50)	(37)	(26)	(19)	(15)
Exceptionals/others	0	0	0	0	0
<b>Profit before tax</b>	<b>68</b>	<b>460</b>	<b>582</b>	<b>702</b>	<b>775</b>
Tax expenses	15	(181)	(116)	(140)	(155)
Minority interest	2	0	0	0	0
<b>Net profit</b>	<b>82</b>	<b>279</b>	<b>465</b>	<b>561</b>	<b>620</b>
<b>Diluted EPS (RMB)</b>	<b>0.069</b>	<b>0.235</b>	<b>0.393</b>	<b>0.474</b>	<b>0.523</b>
Dividends	0	110	183	221	244

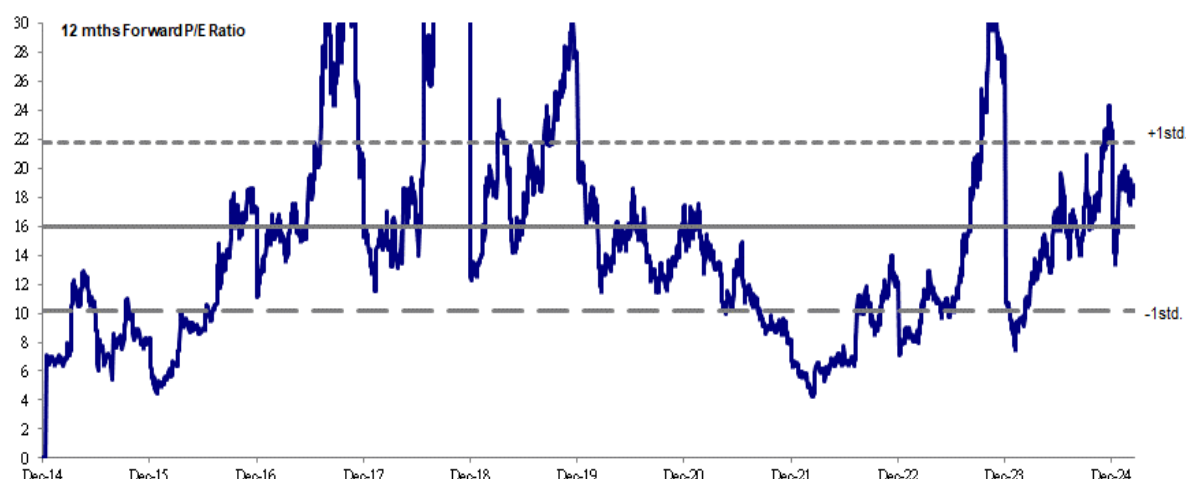
  

<b>Balance sheet</b>					
Year to Dec (RMB mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash & equiv	4,491	4,032	3,951	3,870	3,789
Trade receivables	4,201	4,988	5,828	6,503	7,086
Other receivables	0	0	0	0	0
Inventories	1,778	1,976	2,293	2,555	2,780
Other current assets	636	639	639	639	639
Fixed assets	2,845	2,651	2,433	2,161	1,839
Intangible assets	23	19	19	19	19
Investment, associates etc	968	1,232	1,553	2,032	2,248
<b>Total assets</b>	<b>14,943</b>	<b>15,536</b>	<b>16,717</b>	<b>17,780</b>	<b>18,400</b>
Account payables	5,437	6,563	7,615	8,487	9,235
Other payables	0	0	0	0	0
Short-term debt	4,152	3,440	3,279	3,117	2,955
Other current liabs	78	170	170	170	170
Long-term debts	219	82	82	82	82
Deferred tax and others	12	11	11	11	11
Other long-term liabs	213	179	179	179	179
<b>Total liabilities</b>	<b>10,111</b>	<b>10,445</b>	<b>11,335</b>	<b>12,045</b>	<b>12,631</b>
Share capital	9	9	9	9	9
Reserves	4,822	5,082	5,372	5,725	5,760
<b>Shareholders' equity</b>	<b>4,832</b>	<b>5,091</b>	<b>5,381</b>	<b>5,734</b>	<b>5,769</b>
Minorities	0	0	0	0	0
<b>Total equity</b>	<b>4,832</b>	<b>5,091</b>	<b>5,381</b>	<b>5,734</b>	<b>5,769</b>
Net cash (debt)	120	510	591	672	753

<b>Cash flow</b>					
Year to Dec (RMB mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Pre-tax profit	68	460	582	702	775
Taxes paid	15	(181)	(116)	(140)	(155)
Depreciation	(436)	(444)	(467)	(522)	(572)
Associates	50	37	26	19	15
CFO bef. WC change	(303)	(128)	24	59	64
Change in working cap	(505)	141	(104)	(65)	(61)
<b>Cashflow from operation</b>	<b>(808)</b>	<b>12</b>	<b>(80)</b>	<b>(6)</b>	<b>3</b>
CAPEX	(160)	(250)	(250)	(250)	(250)
<b>Free cash flow</b>	<b>(968)</b>	<b>(238)</b>	<b>(330)</b>	<b>(256)</b>	<b>(248)</b>
Dividends	0	110	183	221	244
Balance sheet adj.	914	517	228	117	85
Shares issued	0	0	0	0	0
Others	0	0	0	0	0
<b>Net cash flow</b>	<b>(53)</b>	<b>389</b>	<b>81</b>	<b>81</b>	<b>81</b>
Net cash (debt) start	174	120	510	591	672
Net cash (debt) at year-end	120	510	591	672	753

<b>Ratios</b>					
Year to Dec	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Growth rate (%)</b>					
Revenue	(8.9)	28.9	16.8	11.6	9.6
EBITDA	9.3	50.6	14.9	11.7	9.6
EBIT	42.0	124.5	22.7	11.7	9.6
Net profit	(52.1)	240.7	66.8	20.6	10.5
Fully diluted EPS	(52.1)	240.4	66.8	20.6	10.5
<b>Margins (%)</b>					
Gross margin (reported)	4.1	6.1	6.7	6.8	6.9
EBITDA	5.8	6.8	6.7	6.7	6.7
EBIT	2.3	4.0	4.2	4.2	4.2
Net margin	0.7	1.7	2.5	2.7	2.7
<b>Other ratios</b>					
ROE (%)	1.7	5.5	8.6	9.8	10.7
ROA (%)	0.5	1.8	2.8	3.2	3.4
Net gearing (%)	(2.5)	(10.0)	(11.0)	(11.7)	(13.0)
Interest coverage (x)	1.7	4.3	4.2	5.3	5.3
Receivables days	111.2	103.8	104.6	106.8	107.4
Payables days	83.5	80.0	79.8	79.7	79.1
Inventory days	45.0	45.2	44.3	45.1	45.3
Effective tax rate (%)	(13.1)	36.5	19.2	19.5	19.6

Source: Company data, CIRL estimates

**Exhibit 8: Q Tech's 12 month Forward P/E Ratio**


Source: Bloomberg, CIRL

## Risk Factors

Downside risks include: 1) Upstream supply shock; 2) Smartphone end demand deteriorates; 3) Slower than expected multi cam CCM/ 3D sensing module/ UDFP adoption in Android camp and hence limit ASP upside; 4) Non-smartphone (IoT+automobile) ramp up longer than expected, 5) Increase pricing pressure arising from overseas players and domestic peers and 6) management execution

## Rating Policy

	Rating	Definition
<b>Stock Rating</b>	Buy	Outperform HSI by 15%
	Neutral	Between -15% ~ 15% of the HSI
	Sell	Underperform HSI by -15%
<b>Sector Rating</b>	Accumulate	Outperform HSI by 10%
	Neutral	Between -10% ~ 10% of the HSI
	Reduce	Underperform HSI by -10%

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## Analyst Certification

I, Hayman Chiu, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was / were, is / are or will be directly or indirectly, related to the specific recommendations or views expressed in this report / note.

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