

Maxscend (300782 CH)

Margin headwinds persist from business model transition; Maintain HOLD

Maxscend released 2Q25 results. Revenue was RMB948mn in 2Q25, up 25% QoQ from a low base in 1Q but down 13% YoY, reflecting continued softness in end-market demand and intensified competition. During the period, GPM fell to 27% (-4ppt/-14ppt vs. 1Q25/2Q24) in 2Q25, missing BBG consensus estimates of 34%, due to 1) ongoing price pressure, 2) impact from depreciation, and 3) lower-than-expected fab utilization. Net loss widened to RMB101mn in 2Q (NLM: -11%) from -RMB47mn in 1Q (NLM: -6%). We cut our 2025/26E revenue forecasts by 21%/22% to reflect weaker-than-expected demand and persistent pricing pressure. We also lower GPM projections by 9ppts/7ppts to 32%/37% in 2025/26E, factoring in near-term margin headwinds from elevated depreciation. **Maintain HOLD with TP of RMB81.5.**

■ **Revenue declined on soft demand, while product development progress stayed intact.** China's smartphone shipment grew 3.3% YoY in 1Q25 on government subsidies but decreased 4%/4% YoY/QoQ in 2Q as demand fell. The weak recovery in market demand (2025 smartphone shipment to grow by 0.6%/1.9% YoY, per IDC/Counterpoint) and slower-than-expected industry consolidation weighed on Maxscend's performance. 1H25 sales dropped 25% YoY, although RF modules now accounted for 44% of total revenue, up from 36%/42% in FY23/24. This shift demonstrates the company's progress in product development (i.e., L-PAMiD, equipped with in-house MAX-SAW, reflecting a fully localized supply chain). We expect module revenue to exceed 50% of total sales in 2027E, aligning with industry modularization and localization trends. However, without a strong rebound in demand, we expect Maxscend's overall revenue to decrease by 9% in 2025E.

■ **Margin headwinds persist.** Maxscend booked a D&A expense of RMB323mn in 1H25, up 22% YoY from RMB265mn in 1H24. Although depreciation growth may have peaked, absolute expense is expected to remain elevated in the near term as the company ramps up its 12-inch IPD line (1H25 capacity: 5kwm). We think improved fab utilization across the 6-inch and 12-inch lines should help ease margin pressure over time. We expect overall GPM to be 32% in 2025, given ongoing margin erosion as fab ramps up.

■ **Maintain HOLD.** We see 2025-26E as transitioning years for Maxscend. Our new TP is based on 45x 2026E EV/EBITDA (vs. prior 45x 2026E P/E), slightly higher than 0.5-SD below 5-year historical avg. of 44x, reflecting ongoing business model shift toward fab-lite/IDM. While Maxscend is well-positioned in the RFFE market and China's localization, we think its margin recovery may take another year. Upside catalysts: stronger-than-expected recovery, accelerated localization. Potential downside risks: slower capacity ramp-up, R&D delays.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	4,378	4,487	4,099	4,946	6,112
YoY growth (%)	19.1	2.5	(8.6)	20.7	23.6
Gross margin (%)	46.4	39.5	31.6	36.5	40.9
Net profit (RMB mn)	1,122.3	401.8	(94.6)	357.5	884.9
YoY growth (%)	5.0	(64.2)	na	na	147.5
EPS (Reported) (RMB)	2.10	0.75	(0.18)	0.67	1.65
P/E (x)	40.3	112.6	na	126.8	51.2
ROE (%)	12.1	4.0	(0.9)	3.5	8.1

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price RMB81.50
(Previous TP) RMB82.00
Up/Downside (3.8%)
Current Price RMB84.73

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Stock Data

Mkt Cap (RMB mn)	45,228.9
Avg 3 mths t/o (RMB mn)	556.6
52w High/Low (RMB)	117.29/59.10
Total Issued Shares (mn)	533.8

Source: FactSet

Shareholding Structure

WX HUIZHI UNITED INV	11.1%
Feng Chenhui	7.6%

Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	15.9%	6.0%
3-mth	19.0%	-1.0%
6-mth	-10.1%	-21.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: CMBIGM vs. Bloomberg consensus

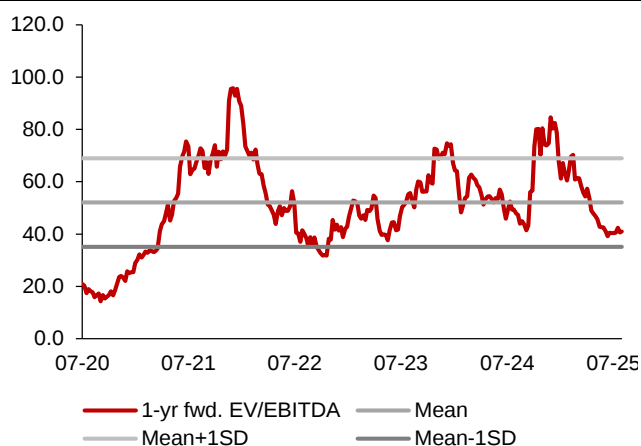
RMB mn	CMBI estimates			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	4,099	4,946	6,112	4,511	5,604	6,759	-9%	-12%	-10%
Gross profit	1,297	1,807	2,501	1,369	1,987	2,573	-5%	-9%	-3%
Net profit	(95)	358	885	35	685	1,137	N/A	-48%	-22%
EPS (RMB)	(0.18)	0.67	1.65	0.03	1.06	2.07	N/A	-37%	-20%
Gross margin	31.6%	36.5%	40.9%	30.3%	35.5%	38.1%	1.3 ppt	1.1 ppt	2.9 ppt
Net margin	-2.3%	7.2%	14.5%	0.8%	12.2%	16.8%	-3.1 ppt	-5 ppt	-2.3 ppt

Source: Bloomberg consensus, CMBIGM estimates

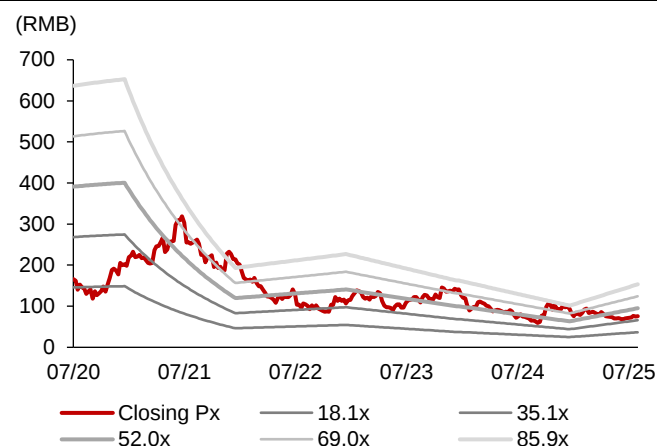
Figure 2: CMBIGM earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	4,099	4,946	6,112	5,219	6,330	7,593	-21%	-22%	-20%
Gross profit	1,297	1,807	2,501	2,098	2,735	3,417	-38%	-34%	-27%
Net profit	(95)	358	885	587	972	1,417	N/A	-63%	-38%
EPS (RMB)	(0.18)	0.67	1.65	1.10	1.82	2.65	N/A	-63%	-38%
Gross margin	31.6%	36.5%	40.9%	40.2%	43.2%	45.0%	-8.6 ppt	-6.7 ppt	-4.1 ppt
Net margin	-2.3%	7.2%	14.5%	11.3%	15.4%	18.7%	-13.6 ppt	-8.1 ppt	-4.2 ppt

Source: Bloomberg consensus, CMBIGM estimates

Figure 3: EV/EBITDA band

Source: Bloomberg, CMBIGM estimates

Figure 4: Forward EV/EBITDA chart

Source: Bloomberg, CMBIGM estimates times

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	3,677	4,378	4,487	4,099	4,946	6,112
Cost of goods sold	(1,732)	(2,345)	(2,715)	(2,802)	(3,139)	(3,611)
Gross profit	1,946	2,034	1,772	1,297	1,807	2,501
Operating expenses	(595)	(841)	(1,251)	(1,126)	(1,197)	(1,280)
SG&A expense	(139)	(201)	(237)	(244)	(246)	(261)
R&D expense	(449)	(629)	(997)	(865)	(931)	(994)
Others	(6)	(11)	(17)	(16)	(20)	(25)
Operating profit	1,351	1,192	521	171	610	1,221
Other income	13	18	52	40	36	36
Other expense	(8)	(10)	(9)	(0)	0	0
Other gains/(losses)	(302)	(73)	(161)	(256)	(243)	(298)
EBITDA	1,158	1,358	987	604	1,116	1,732
EBIT	1,055	1,127	403	(45)	403	959
Interest income	13	46	17	45	54	91
Interest expense	(1)	(2)	(37)	(75)	(60)	(66)
Others	22	0	(2)	(15)	0	0
Pre-tax profit	1,089	1,171	381	(90)	397	983
Income tax	(11)	(52)	21	(5)	(40)	(98)
After tax profit	1,078	1,119	403	(95)	358	885
Minority interest	9	(3)	1	(1)	0	0
Net profit	1,069	1,122	402	(95)	358	885

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	3,588	3,269	5,016	4,894	5,810	7,055
Cash & equivalents	1,277	1,008	1,411	1,195	1,978	3,281
Account receivables	400	518	579	567	599	640
Inventories	1,720	1,493	2,521	2,622	2,710	2,632
Prepayment	35	48	31	19	19	19
Other current assets	156	202	475	492	504	484
Non-current assets	5,915	7,689	9,216	8,930	8,604	8,248
PP&E	2,043	2,418	5,172	5,265	5,214	5,045
Right-of-use assets	14	71	68	87	112	144
Deferred income tax	69	84	90	101	101	101
Intangibles	123	122	152	162	176	194
Goodwill	0	0	0	0	0	0
Other non-current assets	3,667	4,994	3,735	3,314	3,000	2,763
Total assets	9,504	10,958	14,233	13,825	14,413	15,303
Current liabilities	721	881	2,971	2,475	2,741	2,549
Short-term borrowings	0	0	1,895	522	430	700
Account payables	476	635	880	1,116	1,464	1,009
Tax payable	136	121	25	10	10	10
Other current liabilities	17	21	45	738	749	742
Contract liabilities	6	7	5	0	0	0
Accrued expenses	85	97	121	88	88	88
Non-current liabilities	98	274	1,061	1,268	1,222	1,443
Long-term borrowings	0	0	633	604	558	780
Bond payables	0	0	0	0	0	0
Other non-current liabilities	98	274	428	664	664	664
Total liabilities	819	1,154	4,032	3,742	3,963	3,992
Share capital	534	534	535	535	535	535
Retained earnings	4,334	5,271	5,553	5,404	5,726	6,486
Other reserves	3,814	3,998	4,112	4,143	4,189	4,288
Total shareholders equity	8,682	9,803	10,199	10,081	10,450	11,310
Minority interest	3	0	2	1	1	1
Total equity and liabilities	9,504	10,958	14,233	13,825	14,413	15,303

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,078	1,119	403	(95)	358	885
Depreciation & amortization	103	222	572	662	730	795
Change in working capital	(518)	431	(1,182)	258	323	(44)
Others	279	113	275	167	(37)	29
Net cash from operations	942	1,885	68	991	1,373	1,665
Investing						
Capital expenditure	(1,711)	(2,122)	(1,868)	(378)	(399)	(431)
Others	92	(171)	56	(21)	1	1
Net cash from investing	(1,619)	(2,292)	(1,812)	(398)	(398)	(429)
Financing						
Dividend paid	(234)	(91)	(152)	(130)	(60)	(102)
Net borrowings	0	0	2,527	(726)	(138)	491
Others	1	(3)	32	46	25	25
Net cash from financing	(233)	(94)	2,407	(810)	(173)	414
Net change in cash						
Cash at the beginning of the year	2,020	1,214	720	1,398	1,165	1,948
Exchange difference	104	(2)	2	(2)	(2)	(2)
Others	(910)	(501)	663	(217)	802	1,650
Cash at the end of the year	1,214	711	1,386	1,178	1,964	3,595
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(20.6%)	19.1%	2.5%	(8.6%)	20.7%	23.6%
Gross profit	(27.3%)	4.5%	(12.9%)	(26.8%)	39.3%	38.4%
Operating profit	(40.5%)	(11.7%)	(56.3%)	(67.1%)	256.1%	100.1%
EBITDA	(53.3%)	17.3%	(27.3%)	(38.8%)	84.8%	55.2%
EBIT	(56.6%)	6.9%	(64.3%)	na	na	137.9%
Net profit	(49.9%)	5.0%	(64.2%)	na	na	147.5%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	52.9%	46.4%	39.5%	31.6%	36.5%	40.9%
Operating margin	36.7%	27.2%	11.6%	4.2%	12.3%	20.0%
EBITDA margin	31.5%	31.0%	22.0%	14.7%	22.6%	28.3%
Return on equity (ROE)	13.1%	12.1%	4.0%	(0.9%)	3.5%	8.1%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	5.0	3.7	1.7	2.0	2.1	2.8
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	42.3	40.3	112.6	ns	126.8	51.2

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

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