

New round of earnings upcycle stays intact

Rating	BUY	Maintain
Target Price	HK\$ 52.88	
Current price	HK\$ 43.72	Upside: +20.9%

In-line 1H25 result, GM a miss due to shift in product mix

AAC handed in a set of in-line 1H25 result, with revenue and net profit attributable to shareholders arrived at RMB13,318mn/RMB876mn respectively (+18.4%/+63.1% Yoy), and each accounted for 43%/36% of FY25E consensus estimates, (vs. 44%/30% on average in FY22-24). As expected, AAC did not declare interim dividends, we still believe a 15% payout ratio can be maintained in FY25E/26E

Though AAC's 1H25 blended GM stood at above 20%, it slipped 0.8ppts Yoy /1.9ppts HoH to 20.7%, falling behind both FY25E Bloomberg consensus (23.3%) and our FY25E estimates (22.8%). We attributed the GM slip mainly to new products' initial ramp up (i.e. low yield) during the period (incl. acoustics and microphones), while optics GM came in better than our expectation, which is a bright spot in 1H25. Management expects 2H25 revenue growth would be similar to 1H25 (vs. +10-15% guidance in March), while GM to improve HoH as new products began mass production and shipment, in which acoustics/optics/mechanics (EM+ precision)/MEMS GM were guided at 10-15% (lens/CCM:>30%/4-6%) /18-22%/15-20% respectively. Management expects AI smartphone and form factor changes (slim and foldables) to drive acoustics/haptic/heat dissipation business. Below are the 1H25 result highlights:

Acoustics (~26% of revenue): Sales growth remained stable at 1.8% Yoy to RMB3,523mn, with GM down 2.7ppt Yoy to 27.2%. We view relatively stable high-end Android demand and new products would drive ASP to go up, which would support GM to stay >30% level and trending towards mid-30s in the medium term. Meanwhile, spec upgrade by AI phone will be more visible in 2H25 / 2026.

AAC currently runs a flexible business model for automotive acoustics, that can offer combination of products and services to meet clients' demand. For instance, comprehensive solution from ultra-flagship to high cost-performance by covering a set of audio solutions including single component (amplifier module, speaker set), tuning services, software systems and a flexible combination of both. As acoustic system would become one of the core components of the intelligent cockpit, we believe AAC could ride on their ongoing expertise and leadership in acoustic solutions to fulfill clients' need, this would be a new market niche for AAC to further explore and expand in mid-long run.

PSS - automotive & consumer acoustics (~13% of revenue): Revenue came in at RMB1.7bn (+14.2% Yoy) and GM at 23.9% (vs. FY24 at 25%). Management expects growth from PSS would be stable in the near term. AAC Management previously estimates PSS has 15-20% market share in global automotive speaker market, they can leverage on PSS to strengthen AAC's presence in global automotive acoustics equipment industry. AAC Management expects there's room for margin expansion, driven by better efficiency and integration of resources.

Result Takeaway

25/8/2025

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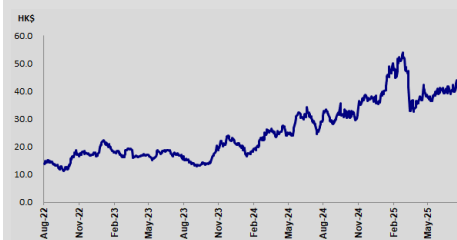
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Trading data

52-Week Range (HK\$)	54.80/27.40
3 Mth Avg Daily Vol (m)	6.70
No of Shares (m)	1,174.89
Market Cap (HK\$m)	51,366.2
Major Shareholders (%)	Benjamin Pan (43%)
Auditors	Deloitte
Result Due	FY25E: Mar 2026

Company description

Founded in 1993, AAC Technologies is the leading miniature acoustic component supplier for handheld devices with 30% global market share. Currently Apple and Nokia are its key customers. About 60% sales is generated by smartphone and tablet related business



Sources: Bloomberg, CIRC

Optics (~20% of revenue): Revenue grew 19.7% Yoy to RMB2,647mn, thanks to improved industry and competitive landscape, which drove both shipment and ASP in lenses and CCM, hence driving blended GM further expanded by 5.5ppts Yoy to 10.2%, better than our FY25E estimates at high single digit, in which plastic lens further expanded to ~30% (vs. 1H24 at 16.7%), and targets 40% GM in mid-term.

AAC's 6P and above lens accounted for >18% of total shipment in 1H25, while also 7P lens projects achieved stable shipments, in addition, their WLG technology continued to gain positive feedback from smartphone OEMs for its outstanding optical performance, successfully commenced exclusive mass production and supply of its WLG-based ultra-light micro-prism solution for a customer's flagship smartphone. Management targets to ship ~15mn/20mn WLG units in FY25E/26E, with improving yield rate, Management expects GM to reach 30-35% by end 2025 and strive to reach plastic lens' GM in mid-term. AAC proactively collaborates with clients in developing optics products (e.g. telephoto lenses, micro prisms) for future adoption in more high-end and flagship models.

Meanwhile, CCM revenue grew >20% Yoy, driven by rapid shipment ramp of mid-high end products, which in our view supported ASP and GM upside Yoy. In 1H25 >32MP CCM shipment volume accounted for >34% of total shipment volume (+3 ppts Yoy), while OIS modules revenue rocketed 1.5x Yoy to RMB 800mn. Looking forward, with more high-end products to be shipped (e.g. OIS, periscope module) in 2H25, we expect CCM GM still have room to improve.

AAC's optics segment profit successfully turnaround in 4Q24, we continue to believe better industry dynamics, healthy inventory level and economy of scale pave way for improved product mix, which would benefit both ASP and GM, optics' profitability would further improve in 2H25E/FY26E, AAC would be capable to narrow the GM gap with leading players in lenses and CCM.

EM+precision mechanics (~35% of revenue): Revenue grew 27.4% Yoy to RMB4,633mn with GM maintained stable at 22.9% (vs. FY24 at 22.9%), continued to be driven by volume increase of products including x-axis linear motors, innovative side buttons, metal casings in mid-high end models. AAC's x-axis haptics motor have been adopted in more models launched by major global smartphone brands, and have been expanding into other non-smartphone products including trackpads, game controllers, intelligent vehicles and XR devices. Management also shared that heat dissipation products revenue grew >45% Yoy to RM221mn (~5% of segment revenue), and laptop business grew 18% yoy to RMB713mn (~15% of segment revenue). Management expects heat dissipation revenue to reach RMB1bn mark by end-2025 (vs. ~RMB300mn in FY24).

■ **Revise FY25E-26E earnings; New round of earnings upcycle stays intact; Maintain BUY**

We revise AAC's FY25E/6E earnings forecasts by 20.5%/20.4%, on higher sales forecasts on AAC's core business segments, accompanied by GM expansion across the board, as well as contribution from auto business. We also introduce our FY27E forecasts. We expect AAC's sales and net profit to grow 11.7%/22.3% CAGR in FY24-27E respectively. Our FY25E-27E net profit forecasts are 7.3%/4.2%/0.7% lower than latest Bloomberg consensus. After having tumbled as much as 14% in the afternoon trading session post 1H25 result and rebounded 4% last Friday, the counter is currently trading at 18.2x FY26E PE (slightly below AAC's 10-year average). As we see AAC's earnings visibility to improve and entering a new round of earnings upcycle from FY24, we maintain AAC's rating at BUY with new TP at HK\$52.88, which translates to 22.0x FY26E target PE (1 s.d above AAC's 10-year average), equivalent to 1.0x PEG.

Exhibit 1: We lift FY25E-26E earnings forecasts and introduce FY27E estimates

	FY25E (new)	FY25E (old)	Diff	FY26E (new)	FY26E (old)	Diff	FY27E (new)	Yoy
Revenue	31,029	29,003	7.0%	34,516	32,223	7.1%	38,107	10.4%
Operating Profit	3,013	2,974	1.3%	3,509	3,628	-3.3%	4,095	16.7%
Net Profit	2,291	1,901	20.5%	2,745	2,280	20.4%	3,290	19.9%
EPS (RMB)	1.84	1.53	20.3%	2.21	1.83	20.5%	2.64	19.9%

Source: CIRL estimates

Exhibit 2: Projects that AAC involved in 1H25

SAMSUNG AAC Technologies

岂止纤薄, 更具质感

三星Galaxy S25 Edge
搭载AAC UltraSlim超薄感知解决方案

AAC 超薄扬声器

AAC 超薄马达

AAC 超薄扬声器

SAMSUNG AAC Technologies

轻薄于形 触动于心

三星 Galaxy Z Fold7 全球首发搭载
AAC SuperSlim Engine 超薄马达

AAC Technologies

Feather Light Speaker

Thin, but the Sound Remains Exceptional!

OPPO Find N5 Debuts with AAC Feather Light Speaker

AAC Technologies

业界首创WLG超光棱镜

vivo X200 Ultra 首发搭载

85mm 蔡司APO超级长焦镜头
行业首发 超光棱镜技术

38% 透光量
OIS敏感性更低
防抖能力更强
体积更小

雷鸟 AAC Technologies

AAC AI 眼镜扬声器

带来出色声音体验

低频性能提升1倍 | 大振幅 | 左右对称设计
低音效果更澎湃 | 声音响亮饱满 | 立体声空间感十足

AAC Technologies Premium Sound Solutions

2025.01.16

Source: Company data

Exhibit 3: PSS current customers include global renowned auto OEMs



Source: Company data

Exhibit 4: AAC's P&L (1H22-1H25)

	1H22	2H22	1H23	2H23	1H24	2H24	1H25
Income statement (RMB mn)							
Revenue	9,412	11,213	9,219	11,200	11,247	16,081	13,318
Cost of goods sold	-7,629	-9,221	-7,922	-9,046	-8,829	-12,457	-10,565
Gross profit	1,783	1,992	1,297	2,155	2,418	3,624	2,754
SG&A	-660	-823	-651	-770	-863	-1,077	-980
R&D	-727	-819	-675	-898	-949	-1,073	-998
Operating profits	676	584	375	838	811	1,597	1,254
Interest expenses	-204	-199	-204	-187	-207	-211	-186
Share of associates earnings	-1	1	0	0	0	-1	0
Pre-tax profit	425	429	175	651	628	1,377	1,035
Tax	-142	-89	-127	-125	-112	-115	-162
Minority interest	-68	-124	-103	-67	-21	55	-2
Net profit	350	464	150	593	537	1,207	876
As % of sales							
Gross profit	18.9%	17.8%	14.1%	19.2%	21.5%	22.5%	20.7%
SG&A	-7.0%	-7.3%	-7.1%	-6.9%	-7.7%	-6.7%	-7.4%
R&D	-7.7%	-7.3%	-7.3%	-8.0%	-8.4%	-6.7%	-7.5%
Operating profits	7.2%	5.2%	4.1%	7.5%	7.2%	9.9%	9.4%
Net profit	3.7%	4.1%	1.6%	5.3%	4.8%	7.5%	6.6%
Growth HoH							
Revenue	3.9%	19.1%	-17.8%	21.5%	0.4%	43.0%	-17.2%
Gross profit	-8.6%	11.7%	-34.9%	66.1%	12.2%	49.9%	-24.0%
Operating profits	3.4%	-13.6%	-35.7%	123.3%	-3.2%	96.8%	-21.5%
Net profit	-4.5%	32.5%	-67.6%	294.8%	-9.5%	124.7%	-27.4%

Source: Company data, CIRC

Exhibit 5: Financial statement

Income statement

Year to Dec (RMB mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	20,419	27,328	31,030	34,517	38,108
Gross profit (reported)	3,454	6,042	7,016	7,962	9,011
EBITDA	4,183	5,256	5,874	6,236	6,716
Depreciation	(2,969)	(2,849)	(2,861)	(2,726)	(2,622)
EBIT	1,214	2,408	3,013	3,509	4,095
Net interest income (exp.)	(391)	(417)	(465)	(449)	(419)
Associates	0	0	0	0	0
Exceptionals/others	0	0	0	0	0
Profit before tax	823	1,991	2,547	3,060	3,676
Tax expenses	(252)	(227)	(290)	(349)	(419)
Minority interest	(170)	(34)	(34)	(34)	(34)
Net profit	740	1,797	2,291	2,745	3,290
Dividends	-111	-270	-344	-412	-494

Balance sheet

Year to Dec (RMB mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash & equiv	6,846	7,544	10,008	11,497	13,271
Trade receivables	6,653	9,371	9,309	10,355	11,432
Other receivables	0	0	0	0	0
Inventories	2,992	3,938	4,471	4,974	5,491
Other current assets	35	49	49	49	49
Fixed assets	18,070	17,884	17,040	16,384	15,859
Intangible assets	275	2,093	2,093	2,093	2,093
Investment, associates etc	4,038	5,821	5,821	5,821	5,821
Total assets	38,911	46,700	48,791	51,173	54,017
Account payables	123	72	217	242	267
Other payables	0	0	0	0	0
Short-term debt	3,421	1,728	1,728	1,728	1,728
Other current liabs	6,585	12,604	12,642	12,701	12,771
Long-term debts	6,363	9,132	9,132	9,132	9,132
Deferred tax and others	47	48	48	48	48
Other long-term liabs	0	0	0	0	0
Total liabilities	16,540	23,583	23,768	23,850	23,946
Share capital	97	97	97	97	97
Reserves	21,784	22,657	24,530	26,795	29,511
Shareholders' equity	21,881	22,754	24,628	26,893	29,608
Minorities	490	362	396	430	463
Total equity	22,371	23,117	25,024	27,323	30,071
Net cash (debt)	-2,939	-3,316	-852	637	2,412

Cash flow

Year to Dec (RMB mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Pre-tax profit	823	1,991	2,547	3,060	3,676
Taxes paid	(265)	(75)	(252)	(290)	(349)
Depreciation	2,969	2,849	2,861	2,726	2,622
Associates	0	0	0	0	0
CFO bef. WC change	3,526	4,764	5,157	5,496	5,948
Change in working cap	(217)	2,139	(326)	(1,524)	(1,570)
Cashflow from operation	3,309	6,904	4,831	3,972	4,379
CAPEX	(1,737)	(2,663)	(2,017)	(2,071)	(2,096)
Free cash flow	1,572	4,241	2,814	1,901	2,283
Dividends	(111)	(270)	(344)	(412)	(494)
Balance sheet adj.	(388)	(3,600)	0	0	0
Share issued	(623)	(816)	(74)	(68)	(82)
Others	0	0	0	0	0
Net cash flow	449	(445)	2,397	1,421	1,707
Net cash (debt) start	(3,728)	(2,939)	(3,316)	(852)	637
Net cash (debt) at year-end	-3,278	-3,383	-919	569	2,344

Ratios

Year to Dec	FY23A	FY24A	FY25E	FY26E	FY27E
Growth rate (%)					
Revenue	(1.0)	33.8	13.5	11.2	10.4
EBITDA	(1.6)	25.7	11.8	6.1	7.7
EBIT	(4.0)	98.4	25.1	16.5	16.7
Net profit	(9.9)	142.7	27.5	19.8	19.9
Fully diluted EPS	(9.9)	142.7	27.5	19.8	19.9
Margins (%)					
Gross margin	16.9	22.1	22.6	23.1	23.6
EBITDA	20.5	19.2	18.9	18.1	17.6
EBIT	5.9	8.8	9.7	10.2	10.7
Net margin	3.6	6.6	7.4	8.0	8.6
Other ratios					
ROE (%)	3.3	7.8	9.2	10.0	10.9
ROA (%)	1.9	3.8	4.7	5.4	6.1
Net gearing (%)	14.7	14.6	3.7	(2.1)	(7.8)
Interest coverage (x)	3.1	5.8	6.5	7.8	9.8
Receivables days	108.9	107.0	109.9	104.0	104.3
Payables days	2.9	1.7	2.2	3.2	3.2
Inventory days	79.5	59.4	63.9	64.9	65.6
Effective tax rate (%)	30.7	11.4	11.4	11.4	11.4

Source: Company data, CIRL estimates

Exhibit 8: AAC's 12 month Forward P/E Ratio



Source: Bloomberg, CIRL

Risk Factors

Downside risks include: 1) Slowdown in flagship smartphone shipment in Android and iOS ; 2) Slower than expected ramp up in optics segment and SLS upgrade in Android camp and 3) AI triggers components upgrade not as expected

Rating Policy

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

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Analyst Certification

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