

Hua Hong Semi (1347 HK)

Solid beat on margins but valuation fair; Maintain HOLD

HOLD (Maintain)

Target Price **HK\$68.00**
 (Previous TP) **HK\$48.00**
Up/Downside **(14.4%)**
Current Price **HK\$79.45**

China Semiconductors

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Stock Data

Mkt Cap (HK\$ mn)	104,000.1
Avg 3 mths t/o (HK\$ mn)	4,021.9
52w High/Low (HK\$)	91.50/19.42
Total Issued Shares (mn)	1309.0

Source: FactSet

Shareholding Structure

Shanghai Hua Hong International	26.2%
XINXIN HK Capital	5.9%

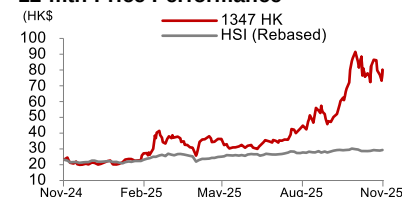
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-13.2%	-10.8%
3-mth	77.4%	69.6%
6-mth	125.7%	95.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Hua Hong Semi reported record 3Q25 revenue of US\$635mn (+21%/+12% YoY/QoQ), in line with Bloomberg consensus and guidance. Gross margin recovered to 13.5% (+1.4ppts/+2.6ppts YoY/QoQ), beating expectations by 2.3ppts/2.5ppts. During the period, net profit was US\$26mn, 5.3% below consensus, although net profit margin improved to 4.1% from 0.7%/1.4% in 1Q/2Q. 4Q25 revenue is guided at US\$650–660mn (midpoint +21% YoY, +5% QoQ), with GPM of 12–14%. **We maintain our FY25 revenue forecast and raise our GPM estimate from 10.9% to 12.0%, reflecting stronger margin recovery.** We lift our FY26 revenue forecast to US\$3.2bn, incorporating the planned fab acquisition, which is expected to close in around August 2026 and add US\$600–700mn in annual revenue. **Maintain HOLD with TP adjusted to HK\$68.**

■ **Operational highlights: ASP uplift and high utilization.** Revenue growth was supported by a 7% QoQ increase in wafer shipments and a 5% QoQ rise in blended ASP. The ASP turnaround began in 2Q25, ~80% from price adjustments and ~20% from mix optimization, and was broad-based across all major platforms. Utilization remained elevated at 109.5%, with all 8-inch fabs running above 110% and the main 12-inch fab at ~105%. Fab 9 is ramping up steadily, currently loading >35k wpm against >40k capacity, with peak output of 60–65k wpm expected by mid-2026.

■ **Segments and drivers: NOR Flash and AI in focus.** Standalone NVM revenue surged 164% YoY in 3Q25, led by NOR Flash demand as 55nm volume ramped up and 40nm prepared for introduction. Analog and power management ICs grew 33% YoY, with an estimated 10–12% of group revenue linked to AI server power chips. Auto & industrial contributed ~22% of revenue (industrial 16%, auto 6%), with further growth expected. International revenue accounted for ~18%, supported by the ongoing 40nm MCU collaboration with STMicroelectronics, which remains ahead of schedule.

■ **Maintain HOLD; TP adjusted to HK\$68,** based on 2.4x 2026E P/B (previously 1.7x), approximately 10% above 1SD of the 5-year historical forward average. The revision reflects improved ASP and margin momentum as the business emerges from the cyclical downturn. While we remain positive on Hua Hong's strategic positioning in China's semiconductor localization and its ongoing fab expansion, we see current valuations as fairly pricing in near-term prospects. Upside catalysts include stronger demand or further ASP increases. Downside risks include weak end-markets, pricing pressure, and geopolitical tensions.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	2,286	2,004	2,425	3,243	3,713
YoY growth (%)	(7.7)	(12.3)	21.0	33.8	14.5
Gross margin (%)	21.3	10.2	12.0	15.1	18.2
Net profit (US\$ mn)	280.0	58.1	70.0	223.5	376.5
YoY growth (%)	(37.8)	(79.2)	20.5	219.3	68.4
EPS (Reported) (US\$ cents)	16.31	3.38	4.04	12.91	21.74
P/E (x)	62.6	302.1	252.7	79.1	47.0

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Earnings revision

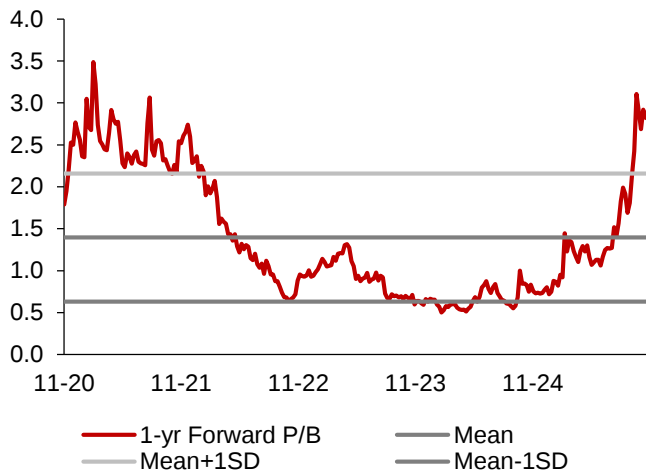
US\$m	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	2,425	3,243	3,713	2,423	3,006	3,499	0%	8%	6%
Gross profit	292	489	677	264	442	588	10%	11%	15%
Net profit	70	224	376	62	258	395	13%	-13%	-5%
EPS (US\$)	0.04	0.13	0.22	0.04	0.15	0.23	12%	-13%	-5%
Gross margin	12.0%	15.1%	18.2%	10.9%	14.7%	16.8%	1.1 ppt	0.4 ppt	1.4 ppt
Net margin	2.9%	6.9%	10.1%	2.6%	8.6%	11.3%	0.3 ppt	-1.7 ppt	-1.2 ppt

Source: Company data, CMBIGM estimates

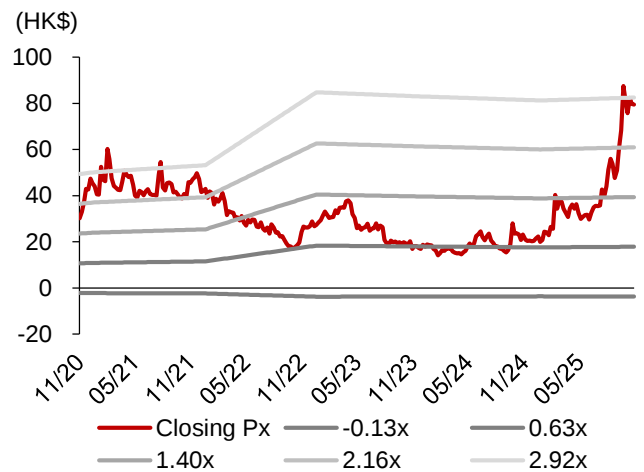
Figure 2: CMBIGM estimates vs. Bloomberg consensus

US\$m	CMBIGM			BBG Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	2,425	3,243	3,713	2,344	2,849	3,215	3%	14%	16%
Gross profit	292	489	677	244	398	544	19%	23%	24%
Net profit	70	224	376	21	134	193	227%	67%	95%
EPS (US\$)	0.04	0.13	0.22	0.04	0.10	0.15	-6%	28%	50%
Gross margin	12.0%	15.1%	18.2%	10.4%	14.0%	16.9%	1.6 ppt	1.1 ppt	1.3 ppt
Net margin	2.9%	6.9%	10.1%	0.9%	4.7%	6.0%	2 ppt	2.2 ppt	4.1 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: P/B chart

Source: Company data, CMBIGM estimates

Figure 4: P/B band

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Revenue	2,475	2,286	2,004	2,425	3,243	3,713
Cost of goods sold	(1,632)	(1,799)	(1,799)	(2,133)	(2,755)	(3,036)
Gross profit	844	487	205	292	489	677
Selling expense	(12)	(10)	(10)	(10)	(12)	(14)
Admin expense	(267)	(323)	(351)	(397)	(428)	(448)
Others	(28)	(91)	(94)	(71)	(79)	(89)
Operating profit	536	63	(249)	(187)	(30)	127
Other income	100	188	178	131	162	186
Other expense	(141)	(77)	(63)	(18)	(1)	(1)
Pre-tax profit	496	174	(134)	(73)	131	311
Income tax	(89)	(47)	(7)	(14)	(20)	(47)
After tax profit	407	126	(140)	(88)	112	264
Minority interest	(43)	(154)	(198)	(158)	(112)	(112)
Net profit	450	280	58	70	224	376

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Current assets	3,076	6,570	5,833	5,328	6,109	6,699
Cash & equivalents	2,009	5,585	4,459	3,703	4,364	4,870
Restricted cash	1	32	32	33	37	40
Account receivables	292	279	270	274	259	290
Inventories	578	450	467	550	582	582
Prepayment	48	34	364	513	579	613
Other current assets	148	190	240	255	288	304
Non-current assets	3,980	4,374	6,583	7,657	8,547	8,815
PP&E	3,368	3,519	5,859	6,727	7,505	7,709
Right-of-use assets	78	79	78	78	82	86
Intangibles	33	50	31	31	35	40
Other non-current assets	501	726	614	820	925	980
Total assets	7,055	10,943	12,415	12,984	14,656	15,513
Current liabilities	1,382	972	1,562	1,462	1,797	1,855
Short-term borrowings	427	193	281	349	605	635
Account payables	237	235	298	286	288	295
Other current liabilities	714	541	978	823	900	922
Lease liabilities	5	3	5	4	4	4
Non-current liabilities	1,537	1,956	1,946	2,316	3,154	3,301
Long-term borrowings	1,482	1,907	1,917	2,283	3,121	3,268
Other non-current liabilities	56	50	29	33	33	33
Total liabilities	2,920	2,929	3,508	3,779	4,951	5,156
Share capital	1,994	4,934	4,938	4,983	4,983	4,983
Other reserves	1,036	1,367	1,309	1,221	1,333	1,597
Total shareholders equity	3,030	6,301	6,247	6,204	6,315	6,580
Minority interest	1,105	1,714	2,660	3,002	3,390	3,778
Total equity and liabilities	7,055	10,943	12,415	12,984	14,656	15,513

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	496	174	(134)	(73)	131	311
Depreciation & amortization	457	500	556	733	824	899
Tax paid	(51)	(72)	(57)	(14)	(20)	(47)
Change in working capital	(116)	(69)	142	(420)	(24)	(47)
Others	(35)	108	(47)	(11)	19	64
Net cash from operations	751	642	459	215	930	1,181
Investing						
Capital expenditure	(996)	(907)	(2,780)	(2,020)	(1,527)	(1,031)
Others	66	73	108	(106)	(51)	(26)
Net cash from investing	(930)	(833)	(2,672)	(2,127)	(1,578)	(1,057)
Financing						
Net borrowings	315	193	106	431	1,094	177
Proceeds from share issues	6	2,942	4	44	0	0
Others	351	647	1,041	264	298	289
Net cash from financing	672	3,782	1,150	739	1,392	466
Net change in cash						
Cash at the beginning of the year	1,610	2,009	5,585	4,459	3,703	4,364
Exchange difference	(94)	(14)	(64)	416	(84)	(84)
Others	493	3,590	(1,062)	(1,173)	744	590
Cash at the end of the year	2,009	5,585	4,459	3,703	4,364	4,870
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	51.8%	(7.7%)	(12.3%)	21.0%	33.8%	14.5%
Gross profit	94.1%	(42.3%)	(57.9%)	42.2%	67.5%	38.6%
Operating profit	211.4%	(88.3%)	na	na	na	na
Net profit	112.1%	(37.8%)	(79.2%)	20.5%	219.3%	68.4%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	34.1%	21.3%	10.2%	12.0%	15.1%	18.2%
Operating margin	21.7%	2.8%	(12.4%)	(7.7%)	(0.9%)	3.4%
Return on equity (ROE)	15.2%	6.0%	0.9%	1.1%	3.6%	5.8%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	2.2	6.8	3.7	3.6	3.4	3.6
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	29.7	62.6	302.1	252.7	79.1	47.0

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

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