

Q-Tech (1478 HK)

Positive FY25 profit alert; non-mobile (handheld/auto/XR) growth to continue into 2026

Q-Tech announced positive profit alert with earnings growth of 400-450% YoY, above our/market expectations, mainly driven by non-mobile growth (handheld/auto/XR), CCM/FPM upgrade (periscope/OIS/ultrasonic), India biz disposal gains and Newmax's earnings turnaround. We adjusted our estimates to reflect FY25 preannouncement, non-mobile momentum on IoT/drone/handheld/auto/AI glasses, despite smartphone weakness on memory cost hike. We expect non-mobile biz to become the major growth driver with 48% revenue CAGR in FY25-27E, accounting for 40%/47% of revenue in FY26/27E (vs. 28% in FY25E). Trading at 13.2x/10.5x FY26/27E P/E, we think the stock is attractive. Reiterate BUY with new TP of HK\$13.18 based on rollover 17x FY26E P/E. Upcoming catalysts include IoT client wins, handheld/drone orders, and FY26E guidance.

■ **Positive FY25 profit alert above our/market expectation.** Q-Tech announced positive FY25 profit alert with NP growth of 400-450% YoY, driven by: 1) non-mobile (IoT/auto/XR) CCM shipment growth of 110% YoY on rapid demand and leading customers' orders (IoT client as 2nd largest client in 1H25); 2) GPM improvement driven by mid-to-high-end mobile CCM (periscope & OIS) and FPM (ultrasonic) upgrade, better product mix and operating efficiency; 3) one-off gain from 51.08% equity disposal of Q-Tech India and Newmax's turnaround with profit of RMB103mn (vs RMB37mn loss in FY24). We estimate revenue/net profit to grow 28%/419% YoY in FY25E.

■ **2026 outlook: non-mobile (handheld/auto/XR) CCM to become key growth driver amid smartphone industry headwinds.** Looking into 2026, we expect: 1) non-mobile CCM (IoT/auto/XR): 42%/30% YoY revenue growth in FY26E (IoT/auto/XR CCM +40%/50%/30% YoY), accounting for 40%/47% of Q-Tech's FY26/27E revenue, driven by IoT client's drone/handheld demand and spec upgrade; 2) smartphone CCM: 16% YoY revenue decline (shipment/ASP down 7%/10%) given industry headwinds on memory price hike; 3) FPM: 5% revenue decline given weak smartphone shipment. In the long term, leveraging Q-Tech's vertical integration capability and strong global client base, we are encouraged by its non-mobile business growth momentum, capturing industry opportunities in drones/handheld-cam/XR/AI glasses/robotics.

■ **Maintain BUY with new TP of HK\$13.18.** Overall, we are positive on Q-Tech's better smartphone CCM product mix and multiple growth drivers in non-mobile CCM segments. We adjusted our estimates to reflect the positive FY25 profit alert and business outlook in FY26E. Our new TP of HK\$13.18 is based on rollover 17x FY26E P/E (vs. prior 19.5x FY25E P/E) on smartphone industry headwinds. Q-Tech will announce full year results in mid-March and we look for mgmt. guidance on high-end SP CCM mix, non-smartphone CCM including IoT and auto shipment/ASP and FPM shipment/GPM.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	12,531	16,151	20,647	21,443	26,349
YoY growth (%)	(8.9)	28.9	27.8	3.9	22.9
Net profit (RMB mn)	83.5	279.1	1,447.1	837.2	1,054.5
EPS (Reported) (RMB)	0.07	0.24	1.22	0.71	0.89
YoY growth (%)	(52.4)	241.4	417.5	(42.1)	26.0
Consensus EPS (RMB)	na	na	0.68	0.82	0.93
P/E (x)	132.5	38.8	7.5	13.0	10.3
P/B (x)	2.2	2.1	1.7	1.5	1.4
Yield (%)	0.0	0.0	1.6	1.5	1.9
ROE (%)	1.7	5.6	25.3	12.5	14.2
Net gearing (%)	26.0	17.8	5.7	(9.4)	(4.9)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$13.18
(Previous TP)	HK\$14.50
Up/Downside	28.9%
Current Price	HK\$10.22

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Stock Data

Mkt Cap (HK\$ mn)	12,110.7
Avg 3 mths t/o (HK\$ mn)	76.1
52w High/Low (HK\$)	16.80/5.74
Total Issued Shares (mn)	1185.0

Source: FactSet

Shareholding Structure

HE Ningning	63.6%
Harvest Fund Management Co Ltd	2.7%

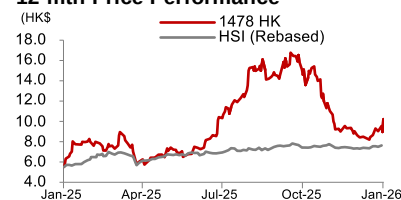
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	13.2%	8.9%
3-mth	-30.0%	-34.1%
6-mth	-1.0%	-11.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Revision

Figure 1: Earnings revision

(RMB mn)	New			Old			Change (%)		
	2025E	2026E	2027E	FY25E	FY26E	FY27E	FY25E	FY26E	FY26E
Revenue	20,647	21,443	26,349	19,148	22,175	25,448	8%	-3%	4%
Gross profit	1,512	1,567	1,965	1,434	1,718	2,008	5%	-9%	-2%
Operating profit	1,713	999	1,267	939	1,130	1,334	82%	-12%	-5%
Net profit	1,447	837	1,055	803	959	1,120	80%	-13%	-6%
EPS (RMB cents)	121.9	70.5	88.8	67.7	80.8	94.3	80%	-13%	-6%
Gross margin	7.3%	7.3%	7.5%	7.5%	7.7%	7.9%	-0.2 ppt	-0.4 ppt	-0.4 ppt
Operating margin	8.3%	4.7%	4.8%	4.9%	5.1%	5.2%	3.4 ppt	-0.4 ppt	-0.4 ppt
Net Margin	7.0%	3.9%	4.0%	4.2%	4.3%	4.4%	2.8 ppt	-0.4 ppt	-0.4 ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBI estimates vs consensus

(RMB mn)	CMBI			Consensus			Diff (%)		
	2025E	2026E	2027E	FY25E	FY26E	FY27E	2025E	2026E	2027E
Revenue	20,647	21,443	26,349	19,982	22,310	24,845	3%	-4%	6%
Gross profit	1,512	1,567	1,965	1,536	1,793	2,075	-2%	-13%	-5%
Operating profit	1,713	999	1,267	838	999	1,196	104%	0%	6%
Net profit	1,447	837	1,055	794	966	1,114	82%	-13%	-5%
EPS (RMB cents)	121.9	70.5	88.8	68.0	82.1	92.7	79%	-14%	-4%
Gross margin	7.3%	7.3%	7.5%	7.7%	8.0%	8.4%	-0.4 ppt	-0.7 ppt	-0.9 ppt
Operating margin	8.3%	4.7%	4.8%	4.2%	4.5%	4.8%	4.1 ppt	0.2 ppt	0 ppt
Net Margin	7.0%	3.9%	4.0%	4.0%	4.3%	4.5%	3 ppt	-0.4 ppt	-0.5 ppt

Source: Bloomberg, CMBIGM estimates

Earnings Forecasts

Figure 3: P&L forecast

RMB mn	FY24	1H25	2H25E	FY25E	FY26E	FY27E
Revenue	16,151	8,832	11,815	20,647	21,443	26,349
...YoY	28.9%	15.1%	39.4%	27.8%	3.9%	22.9%
Cost of sales	(15,166)	(8,177)	(10,952)	(19,135)	(19,876)	(24,384)
Gross profit	985	654	863	1,512	1,567	1,965
GPM (%)	6.1%	7.4%	7.3%	7.3%	7.3%	7.5%
...YoY	93.6%	63.5%	47.6%	53.5%	3.6%	25.4%
SG&A	(204)	(95)	(160)	(254)	(247)	(303)
...% of rev	-1.3%	-1.1%	-1.4%	-1.2%	-1.2%	-1.2%
R&D	(505)	(279)	(307)	(586)	(600)	(738)
...% of rev	-3.1%	-3.2%	-2.6%	-2.8%	-2.8%	-2.8%
Operating profit	649	370	1,347	1,713	999	1,267
OPM (%)	4.0%	4.2%	11.4%	8.3%	4.7%	4.8%
...YoY	124.5%	67.7%	214.7%	163.9%	-41.7%	26.8%
Gain/loss of asso..	(37)	48	55	103	103	103
Net profit	279	308	1,144	1,447	837	1,055
NPM (%)	1.7%	3.5%	9.7%	7.0%	3.9%	4.0%
...YoY	234.1%	167.6%	598.0%	418.6%	-42.1%	26.0%

Source: Company data, CMBIGM estimates

Figure 4: Revenue breakdown

RMB mn	FY24	1H25	2H25E	FY25E	FY26E	FY27E
CCM Revenue	14,819	7,957	10,648	18,605	19,501	24,019
...YoY	28%	10%	40%	26%	5%	23%
Mobile Total	12,960	6,055	6,839	12,894	10,854	11,505
32M below	1,391	557	880	1,437	1,379	1,274
>32MP	11,569	5,498	5,958	11,456	9,475	10,231
OIS	2,992	1,351	1,877	3,228	3,303	3,406
Periscope	859	1,113	1,154	2,267	2,289	2,222
Other 32MP	7,719	3,034	2,928	5,962	3,883	4,603
Non-Mobile Total	1,859	1,902	3,809	5,711	8,646	12,513
IoT	1,306	1,579	2,311	3,890	5,835	8,170
Auto	400	210	588	798	1,277	2,044
XR	-	113	910	1,022	1,533	2,300
Shipment (mn)	434	192	269	461	441	472
...YoY	16%	-13%	26%	6%	-4%	7%
ASP (Rmb)	34.1	41.5	39.6	40.4	44.2	50.9
...YoY	10%	27%	11%	18%	10%	15%
FPM Revenue	1,178	826	1,062	1,889	1,789	2,176
...YoY	51%	109%	36%	60%	-5%	22%
Shipment (mn)	161	94	108	203	223	245
...YoY	46%	60%	6%	26%	10%	10%
ASP (Rmb)	7.3	8.8	9.8	9.3	8.0	8.9
...YoY	3%	31%	28%	27%	-14%	11%
Others	153	48	105	153	153	153
...YoY	-18%	-26%	20%	0%	0%	0%
Total	16,151	8,832	11,815	20,647	21,443	26,349
...YoY	29%	15%	39%	28%	4%	23%

Source: Company data, CMBIGM estimates

Valuation

Maintain BUY with new TP of HK\$13.18

We adjusted our estimates to reflect FY25 preannouncement, non-mobile momentum on IoT/drone/handheld/auto/AI glasses, despite smartphone weakness on memory cost hike. We expect non-mobile biz to become a major growth driver with 48% revenue CAGR in FY25-27E, accounting for 40%/47% of revenue in FY26/27E (vs. 28% in FY25E).

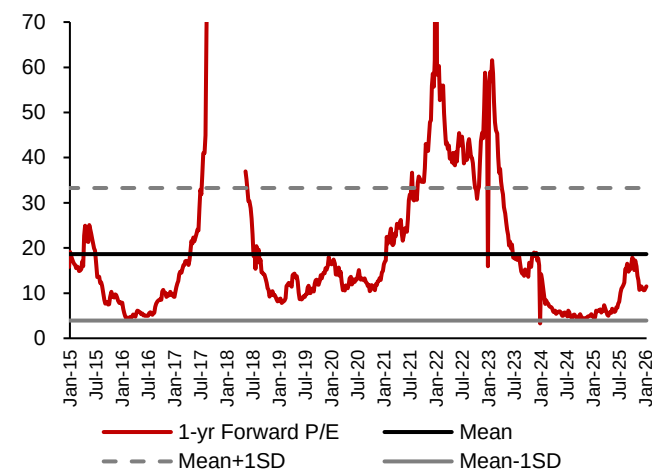
Our new TP of HK\$13.18 is based on rollover 17x FY26E P/E (vs. prior 19.5x FY25E P/E) on smartphone industry headwinds. Trading at 13.2x/10.5x FY26/27E P/E, we think the stock is attractive. Reiterate BUY. Upcoming catalysts include IoT client wins, handheld/drone orders, and FY26E guidance.

Figure 5: Peers' valuation

Company	Ticker	Rating	Market Cap (US\$mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Q-Tech	1478 HK	BUY	1,559	10.22	13.18	29%	7.5	13.0	1.7	1.5	24.1	12.2
FIT Hon Teng	6088 HK	BUY	4,402	4.70	6.77	44%	22.6	13.9	1.6	1.4	7.1	10.4
AAC Tech	2018 HK	BUY	5,840	39.00	60.55	55%	16.1	12.7	1.6	1.5	10.0	11.5
Sunny Optical	2382 HK	BUY	9,062	64.75	101.47	57%	18.9	15.4	2.4	2.2	12.7	29.0
BYDE	285 HK	BUY	9,941	34.40	43.54	27%	16.2	12.6	2.0	1.8	12.2	14.0
TK Group	2283 HK	BUY	276	2.58	3.04	18%	7.8	6.8	1.2	1.1	15.3	16.7
FIH	2038 HK	NR	1,888	18.86	NA	NA	-	-	-	-	-	-
Truly	732 HK	NR	425	1.10	NA	NA	-	-	-	-	-	-
YOFC	6869 HK	NR	8,797	47.16	NA	NA	37.2	20.8	2.6	2.4	7.2	11.3
Ju Teng	3336 HK	NR	323	2.10	NA	NA	-	-	-	-	-	-
Cowell	1415 HK	NR	3,307	29.70	NA	NA	17.4	13.5	4.7	3.5	30.1	29.0
Average							17.9	13.6	2.2	1.9	14.8	16.7

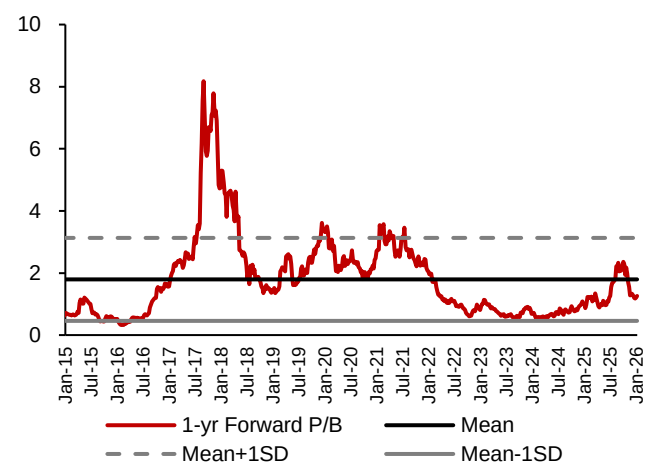
Source: Bloomberg, CMBIGM; data as of 15 Jan 2026 close.

Figure 6: 12M forward P/E band



Source: Company data, CMBIGM

Figure 7: 12M forward P/B band



Source: Company data, CMBIGM

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	13,759	12,531	16,151	20,647	21,443	26,349
Cost of goods sold	(13,218)	(12,022)	(15,166)	(19,135)	(19,876)	(24,384)
Gross profit	541	509	985	1,512	1,567	1,965
Operating expenses	(338)	(220)	(336)	200	(568)	(698)
Selling expense	(14)	(20)	(20)	(31)	(32)	(40)
Admin expense	(142)	(149)	(184)	(224)	(214)	(263)
R&D expense	(470)	(436)	(505)	(586)	(600)	(738)
Others	288	385	373	1,041	279	343
Operating profit	204	289	649	1,713	999	1,267
Share of (losses)/profits of associates/JV	(37)	(50)	(37)	103	103	103
Others	(60)	(171)	(152)	(96)	(117)	(129)
Pre-tax profit	107	68	460	1,719	985	1,241
Income tax	63	15	(181)	(272)	(148)	(186)
Minority interest	0	0	0	0	0	0
Net profit	170	84	279	1,447	837	1,055

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	8,594	11,107	10,546	14,220	13,630	19,571
Cash & equivalents	1,349	2,893	1,447	2,566	3,895	4,012
Account receivables	3,436	4,201	4,988	6,759	5,441	9,550
Inventories	1,184	1,778	1,976	2,760	2,159	3,875
ST bank deposits	919	1,302	556	556	556	556
Other current assets	1,705	933	1,579	1,579	1,579	1,579
Non-current assets	3,691	3,836	3,902	4,085	4,225	4,509
PP&E	3,140	2,845	2,651	2,833	2,973	3,257
Intangibles	26	23	19	19	19	19
Other non-current assets	525	968	1,232	1,232	1,232	1,232
Total assets	12,285	14,943	14,448	18,304	17,855	24,080
Current liabilities	7,249	9,666	9,085	11,673	10,553	15,935
Short-term borrowings	2,616	4,152	2,352	2,926	3,234	3,622
Account payables	4,584	5,437	6,563	8,577	7,150	12,143
Tax payable	12	12	94	94	94	94
Other current liabilities	38	66	76	76	76	76
Non-current liabilities	0	0	0	0	0	0
Deferred income	248	213	179	179	179	179
Other non-current liabilities	7	5	7	7	7	7
Total liabilities	7,518	10,111	9,357	11,944	10,825	16,206
Share capital	9	9	9	9	9	9
Other reserves	4,753	4,822	5,082	6,351	7,021	7,864
Total shareholders equity	4,767	4,832	5,091	6,360	7,030	7,874
Minority interest	0	0	0	0	0	0
Total equity and liabilities	12,285	14,943	14,448	18,304	17,855	24,080

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	107	68	460	1,719	985	1,241
Depreciation & amortization	640	728	842	850	932	1,033
Change in working capital	324	(470)	258	(541)	491	(831)
Others	0	0	0	0	0	0
Net cash from operations	1,194	(379)	965	1,852	2,377	1,386
Investing						
Capital expenditure	(1,149)	(1,046)	(1,348)	(1,032)	(1,072)	(1,317)
Others	0	0	0	0	0	0
Net cash from investing	(1,149)	367	(1,040)	(1,032)	(1,072)	(1,317)
Financing						
Dividend paid	0	0	0	(178)	(167)	(211)
Net borrowings	908	1,536	(1,799)	573	308	388
Others	(60)	15	427	(96)	(117)	(129)
Net cash from financing	848	1,551	(1,372)	299	24	48
Net change in cash						
Cash at the beginning of the year	1,743	1,349	2,893	1,447	2,566	3,895
Exchange difference	(1,288)	713	0	0	0	0
Cash at the end of the year	1,349	2,893	1,447	2,566	3,895	4,012
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(26.3%)	(8.9%)	28.9%	27.8%	3.9%	22.9%
Gross profit	(69.3%)	(6.0%)	93.6%	53.5%	3.6%	25.4%
Operating profit	(80.4%)	42.0%	124.5%	163.9%	(41.7%)	26.8%
Net profit	(80.3%)	(50.9%)	234.1%	418.6%	(42.1%)	26.0%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	3.9%	4.1%	6.1%	7.3%	7.3%	7.5%
Operating margin	1.5%	2.3%	4.0%	8.3%	4.7%	4.8%
Return on equity (ROE)	3.6%	1.7%	5.6%	25.3%	12.5%	14.2%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.3	0.3	0.2	0.1	(0.1)	(0.0)
Current ratio (x)	1.2	1.1	1.2	1.2	1.3	1.2
Receivable turnover days	104.5	111.2	103.8	103.8	103.8	103.8
Inventory turnover days	47.5	45.0	45.2	45.2	45.2	45.2
Payable turnover days	149.7	152.1	144.4	144.4	144.4	144.4
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	63.0	132.5	38.8	7.5	13.0	10.3
P/B	2.3	2.2	2.1	1.7	1.5	1.4
Div yield (%)	0.0	0.0	0.0	1.6	1.5	1.9
EV	4,767.4	4,831.8	5,091.4	6,360.4	7,030.2	7,873.8
EV/Sales	0.3	0.4	0.3	0.3	0.3	0.3

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

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