

OmniVision (603501 CH)

Early signs of inflection at a cyclical trough

OmniVision reported 1H26 revenue of RMB14.0bn, flat YoY, while net profit fell 39.9% YoY and GPM declined 1.7ppt YoY to 28.8%, as lower-margin distribution revenue rose 41% YoY to 23% of total sales. 2Q26 revenue rose 18.7% QoQ to RMB7.61bn, exceeding guidance of RMB7.15-7.54bn and Bloomberg consensus of RMB7.4bn, although GPM remained soft at 28.3%. The 3Q26 guidance of RMB7.58-8.13bn revenue and 29.4-30.7% GPM points to modest sequential growth but a clearer margin recovery. We cut 2026E/27E revenue by 12%/12% and GPM by 2.1ppt/2.9ppt factoring in the results. Nevertheless, we maintain BUY as earnings approach a cyclical trough and the mix shifts toward higher-value applications. We lower our TP to RMB125, based on 33x 2027E P/E (previously 33x 2026E), below its two-year historical forward avg. P/E of 36.7x to reflect cyclical weakness.

- **Mixed segment performance, but higher-value applications remained resilient.** Consumer-electronics CIS revenue fell 31% YoY and accounted for 31% of CIS sales, reflecting weak smartphone demand and product transitions. Auto CIS declined 16% YoY and represented 34% of CIS sales, as inventory adjustments weighed mainly on 1Q26; however, demand recovered visibly in 2Q26 and should benefit from rising camera content and higher-resolution ADAS adoption. In contrast, professional-imaging CIS grew 53% YoY to 14% of CIS sales, machine-vision and robotics CIS increased over 70% YoY, medical CIS rose 15% YoY, auto analog expanded 67% YoY, and display solutions grew ~13% YoY. This divergence suggests a structural product-mix transition rather than a broad-based deterioration in competitiveness, in our view.
- **Robotics, auto analog and optical connectivity are emerging as new growth engines.** Higher-end robotic data-collection systems can carry over US\$100 of image-sensor content, offering meaningful upside despite the business's small current base. In auto analog, OmniVision is expanding across MCU, PMIC and SBC products, leveraging its established customer base to evolve from a sensor vendor into a platform supplier. Optical connectivity could offer an even larger opportunity, with mgmt. estimating that its product portfolio could provide US\$10 or more of semiconductor content per optical module, depending on product adoption. We therefore view optical connectivity as meaningful long-term earnings optionality rather than a material near-term contributor.
- **OmniVision is entering a gradual recovery.** Volume stabilization became visible in 2Q26, while margin normalization should begin in 3Q26. Structural earnings expansion is more likely in 2027, when higher-value businesses should contribute for a full year. Maintain BUY with TP of RMB125.
- **Key risks:** Slower-than-expected product R&D, weak demand recovery, etc.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	25,731	28,855	29,996	35,294	39,554
YoY growth (%)	22.4	12.1	4.0	17.7	12.1
Gross margin (%)	29.4	30.6	29.6	30.4	31.1
Net profit (RMB mn)	3,323.2	4,045.4	3,396.3	4,583.5	5,482.1
YoY growth (%)	498.1	21.7	(16.0)	35.0	19.6
EPS (Reported) (RMB)	2.77	3.37	2.81	3.79	4.53
P/E (x)	29.8	24.5	29.4	21.8	18.2

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB125.00
(Previous TP	RMB136.00)
Up/Downside	51.5%
Current Price	RMB82.50

China Semiconductors

Kevin ZHANG

(852) 3761 8727

kevinzhang@cmbi.com.hk

Aaron GUO

(852) 3916 3715

aaronguo@cmbi.com.hk

Stock Data

Mkt Cap (RMB mn)	99,577.5
Avg 3 mths t/o (RMB mn)	2,878.7
52w High/Low (RMB)	151.17/82.50
Total Issued Shares (mn)	1207.0

Source: FactSet

Shareholding Structure

Yu Renrong	25.1%
SX WEIHAO EQU INVEST	6.1%
FUND	

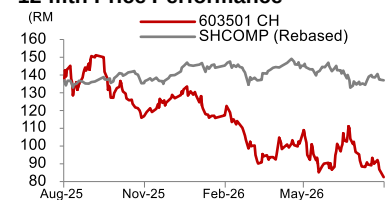
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-14.9%	-16.3%
3-mth	-20.9%	-16.2%
6-mth	-29.7%	-25.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

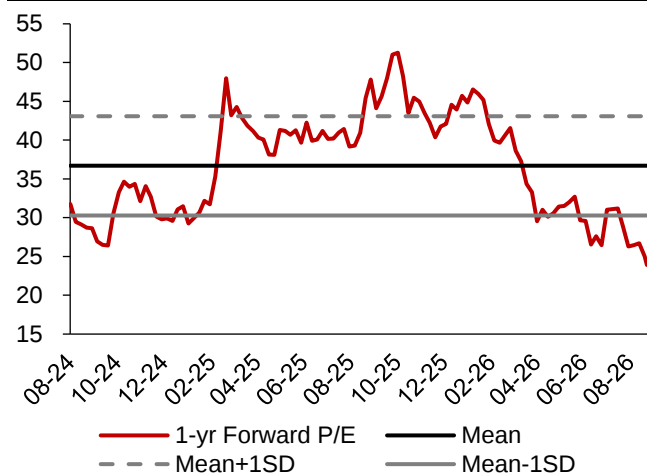
RMBmn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	29,996	35,294	39,554	34,051	40,080	47,141	-11.9%	-11.9%	-16.1%
Gross profit	8,886	10,713	12,310	10,794	13,347	16,311	-17.7%	-19.7%	-24.5%
Net profit	3,396	4,584	5,482	4,978	6,749	8,861	-31.8%	-32.1%	-38.1%
EPS (RMB)	2.81	3.79	4.53	4.15	5.62	7.38	-32.4%	-32.6%	-38.6%
Gross margin	29.6%	30.4%	31.1%	31.7%	33.3%	34.6%	-2.1 ppt	-2.9 ppt	-3.5 ppt
Net margin	11.3%	13.0%	13.9%	14.6%	16.8%	18.8%	-3.3 ppt	-3.9 ppt	-4.9 ppt

Source: Company data, CMBIGM estimates

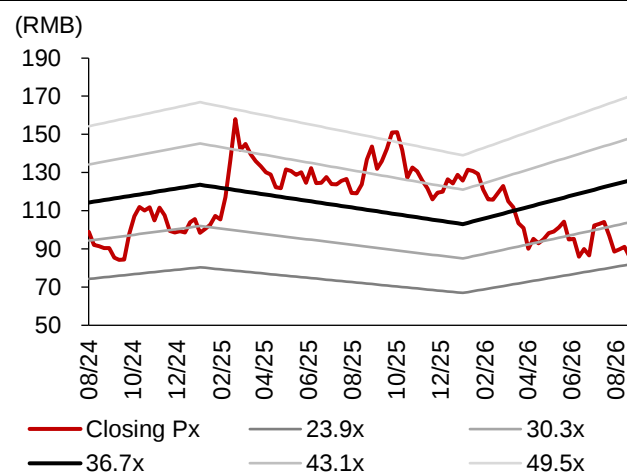
Figure 2: CMBIGM estimates vs. BBG consensus

RMBmn	CMBI estimates			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	29,996	35,294	39,554	30,695	35,953	41,264	-2.3%	-1.8%	-4.1%
Gross profit	8,886	10,713	12,310	9,163	11,098	13,110	-3.0%	-3.5%	-6.1%
Net profit	3,396	4,584	5,482	4,109	5,521	6,595	-17.3%	-17.0%	-16.9%
EPS (RMB)	2.81	3.79	4.53	3.25	4.31	5.07	-13.5%	-12.1%	-10.6%
Gross margin	29.6%	30.4%	31.1%	29.9%	30.9%	31.8%	-0.2 ppt	-0.5 ppt	-0.6 ppt
Net margin	11.3%	13.0%	13.9%	13.4%	15.4%	16.0%	-2.1 ppt	-2.4 ppt	-2.1 ppt

Source: Bloomberg consensus, CMBIGM estimates

Figure 3: P/E chart

Source: Company data, CMBIGM estimates

Figure 4: P/E band

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	21,021	25,731	28,855	29,996	35,294	39,554
Cost of goods sold	(16,446)	(18,154)	(20,015)	(21,110)	(24,581)	(27,244)
Gross profit	4,574	7,576	8,840	8,886	10,713	12,310
Operating expenses	(3,297)	(3,908)	(4,076)	(4,265)	(5,001)	(5,585)
Selling expense	(467)	(557)	(564)	(600)	(706)	(791)
Admin expense	(33)	(40)	(46)	(48)	(56)	(63)
SG&A expense	(623)	(748)	(696)	(694)	(799)	(876)
R&D expense	(2,234)	(2,622)	(2,843)	(3,000)	(3,529)	(3,955)
Others	60	59	73	76	90	100
Operating profit	1,277	3,668	4,763	4,621	5,712	6,726
Other income	26	13	2	2	2	2
Other expense	(2)	(5)	(7)	(7)	(9)	(10)
Gain/loss on financial assets at FVTPL	(367)	(639)	(287)	(446)	(423)	(435)
Investment gain/loss	73	182	12	12	12	12
Other gains/(losses)	140	47	45	(204)	(148)	(166)
EBIT	1,148	3,266	4,527	3,977	5,146	6,129
Interest income	96	330	394	487	544	569
Interest expense	(534)	(327)	(302)	(331)	(293)	(245)
Net Interest income/(expense)	(438)	4	92	156	250	324
Other income/expense	(19)	9	(18)	(151)	(22)	(25)
Pre-tax profit	691	3,278	4,601	3,982	5,374	6,428
Income tax	(148)	6	(569)	(597)	(806)	(964)
After tax profit	544	3,284	4,032	3,385	4,568	5,463
Minority interest	(12)	(39)	(14)	(12)	(16)	(19)
Net profit	556	3,323	4,045	3,396	4,584	5,482

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	20,264	21,804	26,467	30,550	30,263	33,874
Cash & equivalents	9,086	10,185	12,821	15,588	16,088	17,070
Account receivables	4,031	3,964	3,944	4,776	5,354	5,816
Inventories	6,322	6,956	8,598	9,139	7,676	9,790
Prepayment	221	251	298	261	307	344
Financial assets at FVTPL	133	0	126	126	126	126
Other current assets	472	448	679	661	713	727
Non-current assets	17,479	17,160	17,134	20,924	22,380	23,947
PP&E	2,586	3,126	3,442	4,061	4,784	5,568
Right-of-use assets	176	154	139	141	144	144
Intangibles	2,305	2,216	1,996	1,814	1,661	1,513
Goodwill	3,861	3,632	3,619	3,970	4,322	4,674
Other non-current assets	8,551	8,032	7,938	10,938	11,470	12,049
Total assets	37,743	38,965	43,601	51,474	52,644	57,821
Current liabilities	9,069	7,595	12,586	12,976	11,416	11,696
Short-term borrowings	2,671	1,086	2,079	3,283	43	1,014
Account payables	1,663	1,935	2,235	1,930	2,919	2,455
Tax payable	229	229	343	302	308	339
Other current liabilities	4,055	3,787	7,340	6,872	7,505	7,179
Contract liabilities	187	226	240	242	285	319
Accrued expenses	264	332	349	347	355	390
Non-current liabilities	7,180	7,167	2,861	4,126	3,079	3,481
Long-term borrowings	2,977	3,472	1,618	2,536	1,452	1,695
Bond payables	2,444	2,524	0	0	0	0
Obligations under finance leases	122	97	95	123	126	138
Deferred income	25	22	46	50	51	56
Other non-current liabilities	1,611	1,052	1,102	1,417	1,450	1,592
Total liabilities	16,248	14,762	15,447	17,102	14,494	15,178
Share capital	1,216	1,216	1,210	1,261	1,261	1,261
Retained earnings	9,008	11,868	15,164	17,743	21,534	25,990
Other reserves	11,227	11,117	11,798	15,397	15,399	15,456
Total shareholders equity	21,451	24,201	28,172	34,402	38,194	42,707
Minority interest	44	1	(18)	(30)	(45)	(64)
Total equity and liabilities	37,743	38,965	43,601	51,474	52,644	57,821

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	544	3,284	4,601	3,385	4,568	5,463
Depreciation & amortization	1,166	1,295	1,293	1,331	1,550	1,750
Change in working capital	5,175	(699)	(1,776)	(4,279)	(4,279)	(2,059)
Others	651	892	(2,628)	1,069	1,147	577
Net cash from operations	7,537	4,772	1,490	1,506	2,986	5,731
Investing						
Capital expenditure	(1,048)	(1,249)	(2,336)	(2,720)	(2,825)	(3,025)
Net proceeds from disposal of short-term investments	7	28	12	5	6	7
Others	(1,422)	410	1,505	(2,099)	(269)	(292)
Net cash from investing	(2,464)	(811)	(820)	(4,814)	(3,089)	(3,309)
Financing						
Dividend paid	(574)	(664)	(982)	(939)	(804)	(934)
Net borrowings	(2,009)	(1,297)	205	1,884	(4,323)	1,213
Proceeds from share issues	3,394	218	462	4,204	0	0
Others	(875)	(1,264)	(121)	(161)	(161)	(161)
Net cash from financing	(64)	(3,007)	(437)	4,988	(5,287)	119
Net change in cash						
Cash at the beginning of the year	3,995	9,055	10,153	12,800	15,567	16,067
Exchange difference	51	143	(215)	(481)	0	0
Others	5,009	955	2,862	3,249	500	983
Cash at the end of the year	9,055	10,153	12,800	15,567	16,067	17,049
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	4.7%	22.4%	12.1%	4.0%	17.7%	12.1%
Gross profit	(25.9%)	65.6%	16.7%	0.5%	20.6%	14.9%
Operating profit	(48.0%)	187.2%	29.9%	(3.0%)	23.6%	17.7%
EBIT	(39.4%)	184.4%	38.6%	(12.2%)	29.4%	19.1%
Net profit	(43.9%)	498.1%	21.7%	(16.0%)	35.0%	19.6%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	21.8%	29.4%	30.6%	29.6%	30.4%	31.1%
Operating margin	6.1%	14.3%	16.5%	15.4%	16.2%	17.0%
Return on equity (ROE)	2.8%	14.6%	15.4%	10.9%	12.6%	13.6%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	2.2	2.9	2.1	2.4	2.7	2.9
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	175.5	29.8	24.5	29.4	21.8	18.2
P/E (diluted)	175.5	29.8	24.5	29.4	21.8	18.2

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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