

Q-Tech (1478 HK)

Upbeat FY25E guidance on OIS/periscope upgrade and auto/IoT demand; Lift TP to HK\$9.25

We raise Q-Tech's 12-month TP to HK\$9.25 based on higher 17.7x FY25E P/E (vs 13x prior) following upbeat FY25E guidance, improving product mix with spec upgrade (OIS/periscope/ultrasonic), FPM turnaround (GPM at 9.3% in 2H) and rapid non-mobile expansion (auto/IoT). Q-Tech's FY24 earnings (+241% YoY) was largely in-line with prior positive profit alert, driven by CCM/FPM share gain, spec upgrade, and auto/IoT CCM ramp-up. Looking into 2025, mgmt. remains positive on high-end CCM demand (OIS/periscope), auto/IoT CCM client/order wins and ultrasonic FPM upgrade cycle. We slightly adjust our estimates to reflect FY24 results and better business outlook, and our FY25/26E EPS forecasts are 24%/27% above consensus. Trading at 14.6x/11.6x FY25/26E P/E, we think the stock is attractive, compared to 102%/26% EPS growth in FY25/26E. Upcoming catalysts include AI smartphone/glasses launch and auto/IoT CCM order wins.

■ **Strong FY24 largely in-line with prior profit alert.** Q-Tech's FY24 revenue/net profit growth of 29%/241% YoY was largely in-line, driven by CCM sales growth of 28% YoY on strong shipment and better 32MP+ mix (50.1%) and FPM sales growth of 51% YoY on share gains. GPM came in at 6.1%, up 2ppts YoY thanks to better FPM GPM, CCM spec upgrade, better UTR and higher mix of auto/IoT CCM. In addition, Q-Tech's subsidiary, Newmax, reported narrowing loss of RMB36.5mn (vs RMB50mn in 2024).

■ **2025 Outlook: focus on product mix, OIS/periscope CCM, auto/IoT robust growth.** Looking into 2025, mgmt. guided: 1) 32MP+ CCM mix of 55%+, with periscope CCM growth of 100%+ YoY; 2) Auto/IoT CCM shipment growth of 40%+ YoY; 3) FPM shipment growth of 20%+ YoY backed by ultrasonic FPM and overseas expansion. In the long term, mgmt. is positive on non-mobile CCM opportunities (auto/IoT/XR/robotics). Q-Tech has established partnership with seven leading smart driving solution providers and 34 global leading auto brands, and also becomes the core CCM supplier for global leading drone and action camera brands.

■ **Our FY25/26E EPS estimates are 24%/27% above consensus; Lift TP to HK\$9.25.** Overall, we are positive on Q-Tech's strategy to focus on product mix improvement and non-mobile CCM expansion. We slightly adjust our estimates to reflect FY24 results and better business outlook. Our new TP of HK\$9.25 is based on higher 17.7x FY25E P/E, in-line with 10-year avg. forward P/E, given improving profitability, high-end CCM share gains, and rapid non-mobile expansion. Reiterate BUY.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	12,531	16,151	18,750	21,985	25,570
YoY growth (%)	(8.9)	28.9	16.1	17.3	16.3
Net profit (RMB mn)	83.5	279.1	563.5	709.1	826.2
EPS (Reported) (RMB)	0.07	0.24	0.48	0.60	0.70
YoY growth (%)	(52.4)	241.4	101.9	25.8	16.5
Consensus EPS (RMB)	N/A	N/A	0.38	0.47	0.42
P/E (x)	100.8	29.5	14.6	11.6	10.0
P/B (x)	1.7	1.6	1.5	1.3	1.2
Yield (%)	0.0	0.0	1.4	1.7	2.0
ROE (%)	1.7	5.6	10.6	12.2	12.8
Net gearing (%)	26.0	17.8	16.9	6.9	5.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$9.25
(Previous TP	HK\$6.79)
Up/Downside	23.7%
Current Price	HK\$7.48

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Stock Data

Mkt Cap (HK\$ mn)	8,863.8
Avg 3 mths t/o (HK\$ mn)	53.6
52w High/Low (HK\$)	8.27/2.97
Total Issued Shares (mn)	1185.0

Source: FactSet

Shareholding Structure

HE Ningning	63.6%
Harvest Fund Management Co Ltd	2.7%

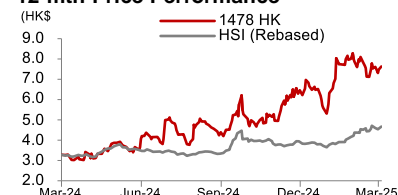
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-5.0%	-10.3%
3-mth	15.8%	-3.5%
6-mth	70.4%	23.5%

Source: FactSet

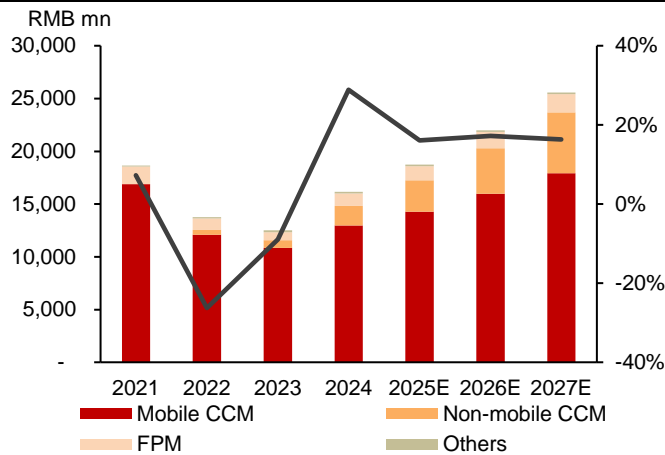
12-month Price Performance



Source: FactSet

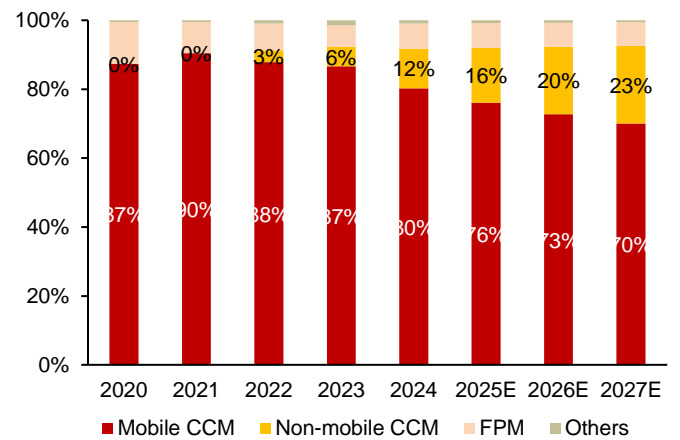
Focus Charts

Figure 1: Revenue growth trend



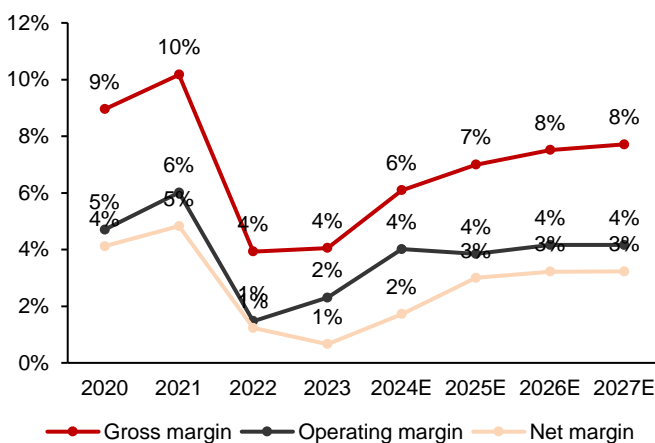
Source: Company data, CMBIGM estimates

Figure 2: Revenue breakdown



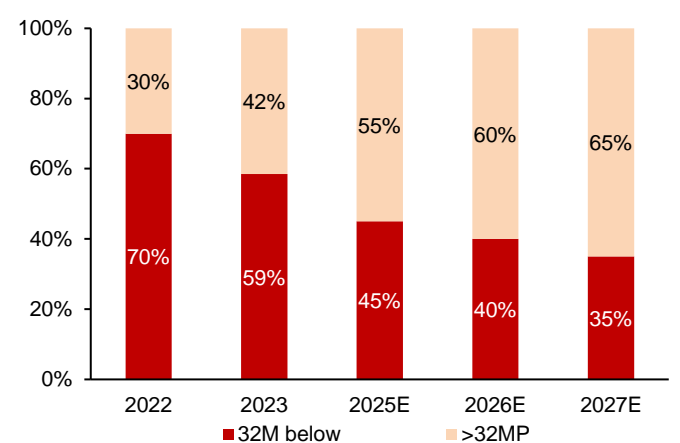
Source: Company data, CMBIGM estimates

Figure 3: Margins trend



Source: Company data, CMBIGM estimates

Figure 4: CCM shipment mix



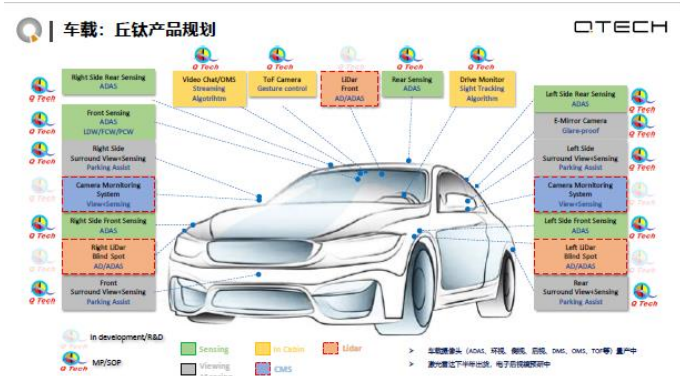
Source: Company data, CMBIGM estimates

Figure 5: Q-Tech's AR glasses products



Source: Company data, CMBIGM

Figure 6: Q-Tech's automobile product roadmap



Source: Company data, CMBIGM

FY24 Results review

Figure 7: FY24 results review

RMB mn	FY20	FY21	FY22	FY23	FY24	YoY	CMBI		Consensus	
							FY24E	Diff %	FY24E	Diff %
Revenue	17,400	18,663	13,759	12,531	16,151	29%	16,612	-3%	15,709	3%
Gross profit	1,771	1,762	541	509	985	94%	978	1%	914	8%
Operating profit	1,046	1,039	204	289	649	124%	506	28%	335	93%
Net profit	840	863	170	84	279	234%	278	0%	296	-6%
EPS (RMB cents)	71.9	73.2	14.5	6.9	23.6	241%	23.5	0%	25.1	-6%
Gross margin	10.2%	9.4%	3.9%	4.1%	6.1%	2 ppt	5.9%	0.2 ppt	5.8%	0.3 ppt
Operating margin	6.0%	5.6%	1.5%	2.3%	4.0%	1.7 ppt	3.0%	1 ppt	2.1%	1.9 ppt
Net margin	4.8%	4.6%	1.2%	0.7%	1.7%	1.1 ppt	1.7%	0 ppt	1.9%	-0.2 ppt

Source: Company data, CMBIGM estimates

Earnings Revision

Figure 8: Earnings revision

(RMB mn)	New			Old			Change (%)		
	2025E	2026E	2027E	FY25E	FY26E	FY27E	FY25E	FY26E	FY26E
Revenue	18,750	21,985	25,570	19,134	21,531	na	-2%	2%	na
Gross profit	1,312	1,653	1,972	1,371	1,581	na	-4%	5%	na
Operating profit	722	916	1,064	721	941	na	0%	-3%	na
Net profit	563	709	826	563	731	na	0%	-3%	na
EPS (RMB)	47.6	59.9	69.7	47.5	61.7	na	0%	-3%	na
Gross margin	7.0%	7.5%	7.7%	7.2%	7.3%	na	-0.2 ppt	0.2 ppt	na
Operating margin	3.8%	4.2%	4.2%	3.8%	4.4%	na	0.1 ppt	-0.2 ppt	na
Net margin	3.0%	3.2%	3.2%	2.9%	3.4%	na	0.1 ppt	-0.2 ppt	na

Source: Company data, CMBIGM estimates

Figure 9: CMBI estimates vs consensus

(RMB mn)	CMBI			Consensus			Diff (%)		
	2025E	2026E	2027E	FY25E	FY26E	FY27E	2025E	2026E	2027E
Revenue	18,750	21,985	25,570	17,518	19,344	21,233	7%	14%	20%
Gross profit	1,312	1,653	1,972	1,167	1,346	1,396	12%	23%	41%
Operating profit	722	916	1,064	510	606	256	42%	51%	316%
Net profit	563	709	826	455	561	495	24%	27%	67%
EPS (RMB)	47.6	59.9	69.7	37.7	47.3	42.0	26%	27%	66%
Gross margin	7.0%	7.5%	7.7%	6.7%	7.0%	6.6%	0.3 ppt	0.6 ppt	1.1 ppt
Operating margin	3.8%	4.2%	4.2%	2.9%	3.1%	1.2%	0.9 ppt	1 ppt	3 ppt
Net margin	3.0%	3.2%	3.2%	2.6%	2.9%	2.3%	0.4 ppt	0.3 ppt	0.9 ppt

Source: Company data, CMBIGM estimates

Earnings Forecasts

Figure 10: P&L forecast

RMB mn	FY23	1H24	2H24	FY24	FY25E	FY26E	FY27E
Revenue	12,531	7,675	8,476	16,151	18,750	21,985	25,570
...YoY	-8.9%	40.1%	20.2%	28.9%	16.1%	17.3%	16.3%
Cost of sales	(12,022)	(7,275)	(7,891)	(15,166)	(17,437)	(20,332)	(23,598)
Gross profit	509	400	585	985	1,312	1,653	1,972
GPM (%)	4.1%	5.2%	6.9%	6.1%	7.0%	7.5%	7.7%
...YoY	-6.0%	112.5%	82.4%	93.6%	33.3%	25.9%	19.3%
SG&A	(169)	(93)	(110)	(204)	(216)	(253)	(294)
...% of rev	-1.3%	-1.2%	-1.3%	-1.3%	-1.2%	-1.2%	-1.2%
R&D	(436)	(286)	(219)	(505)	(562)	(660)	(767)
...% of rev	-3.5%	-3.7%	-2.6%	-3.1%	-3.0%	-3.0%	-3.0%
Operating profit	289	221	428	649	722	916	1,064
OPM (%)	2.3%	2.9%	5.1%	4.0%	3.8%	4.2%	4.2%
...YoY	42.0%	114.8%	129.8%	124.5%	11.2%	26.9%	16.2%
Gain/loss of asso..	(50)	(14)	(22)	(37)	20	20	20
Net profit	84	115	164	279	563	709	826
NPM (%)	0.7%	1.5%	1.9%	1.7%	3.0%	3.2%	3.2%
...YoY	-50.9%	431.2%	164.9%	234.1%	101.9%	25.8%	16.5%

Source: Company data, CMBIGM estimates

Figure 11: Revenue breakdown

RMB mn	FY23	1H24	2H24	FY24	FY25E	FY26E	FY27E
CCM Revenue	11,562	7,215	7,605	14,819	17,259	20,298	23,676
...YoY	-8%	45%	16%	28%	16%	18%	17%
Shipment (mn)	374	221	213	434	461	490	521
...YoY	-12%	31%	4%	16%	6%	6%	6%
ASP (Rmb)	30.9	32.6	35.7	34.1	37.5	41.4	45.5
...YoY	4%	11%	11%	10%	10%	11%	10%
FPM Revenue	781	395	784	1,178	1,337	1,533	1,741
...YoY	-27%	0%	103%	51%	13%	15%	14%
Shipment (mn)	110	59	102	161	177	195	214
...YoY	-1%	17%	71%	46%	10%	10%	10%
ASP (Rmb)	7.1	6.7	7.7	7.3	7.6	7.9	8.1
...YoY	-26%	-14%	10%	3%	3%	4%	3%
Others	188	66	88	153	153	153	153
...YoY	40%	-27%	-11%	-18%	0%	0%	0%
Total	12,531	7,675	8,487	16,151	18,750	21,985	25,570
...YoY	-9%	40%	20%	29%	16%	17%	16%

Source: Company data, CMBIGM estimates

Valuation

Maintain BUY with new TP of HK\$9.25

We slightly adjust our estimates to reflect FY24 results and better business outlook, and our FY25/26E EPS estimates are 24%/27% above consensus. We raise TP to HK\$9.25 based on higher 17.7x FY25E P/E (vs 13x prior), in-line with 10-year hist. avg. forward P/E. We think 17.7x target P/E is justified given upbeat FY25E guidance, improving product mix with spec upgrade (OIS/periscope/ultrasonic), FPM business turnaround and rapid non-mobile expansion (auto/IoT). Trading at 14.6x/11.6x FY25/26E P/E, we think the stock is attractive, compared to 102%/26% EPS growth in FY25/26E. Maintain BUY. Upcoming catalysts include product launches and non-smartphone CCM order wins.

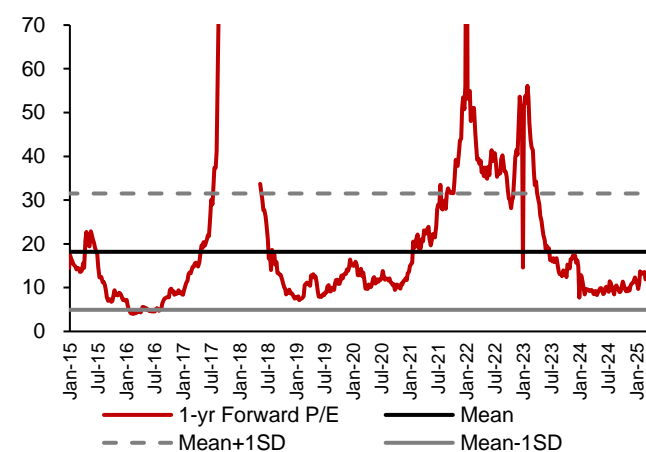
Figure 12: Peers' valuation

Company	Ticker	Rating	Market Cap	Price	TP	Up/Down	P/E (x)		P/B (x)		ROE (%)	
			US\$(mn)	(LC)	(LC)		FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Q Tech	1478 HK	BUY	1,163	7.48	9.25	24%	14.3	11.4	1.5	1.3	10.3	11.6
FIT Hon Teng	6088 HK	BUY	2,713	2.89	3.86	34%	10.6	7.2	1.0	0.8	9.0	11.7
AAC Tech	2018 HK	BUY	7,941	51.90	53.48	3%	24.1	21.5	2.2	2.1	9.0	10.0
Sunny Optical	2382 HK	BUY	12,061	85.60	102.89	20%	24.5	22.1	3.2	2.8	12.9	13.2
Tongda	698 HK	BUY	105	0.08	0.12	45%	4.2	-	0.1	-	2.7	3.6
BYDE	285 HK	BUY	14,629	50.45	48.66	-4%	15.8	12.6	2.8	2.4	17.4	19.0
TK Group	2283 HK	BUY	218	2.03	2.82	39%	4.7	4.0	0.8	-	17.4	19.4
FIH	2038 HK	NR	954	0.94	NA	NA	-	-	-	-	-	-
Truly	732 HK	NR	464	1.14	NA	NA	-	-	-	-	-	-
YOFC	6869 HK	NR	3,020	19.38	NA	NA	14.5	12.5	1.1	1.0	8.3	9.0
Ju Teng	3336 HK	NR	275	1.78	NA	NA	-	-	-	-	-	-
Cowell	1415 HK	NR	3,152	28.40	NA	NA	17.2	12.9	4.5	3.4	28.9	28.3
Average							18.9	16.9	1.9	2.0	12.0	13.1

Source: Bloomberg, CMBIGM

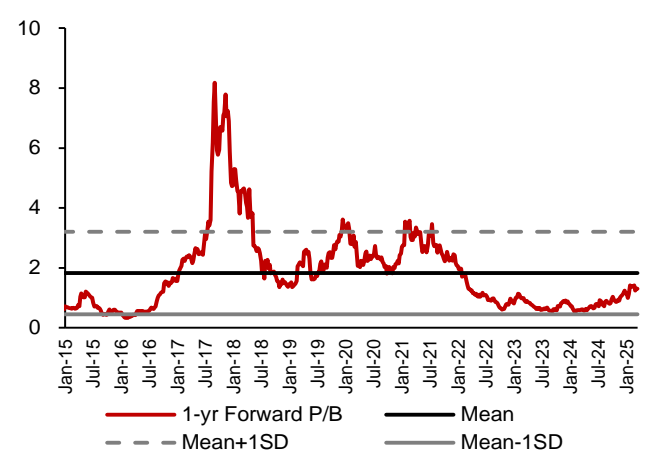
Note: Closing price as of 17 Mar 2025.

Figure 13: 12M forward P/E band



Source: Company data, CMBIGM

Figure 14: 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	18,750	21,985	25,570
Cost of goods sold	(13,218)	(12,022)	(15,166)	(17,437)	(20,332)	(23,598)
Gross profit	541	509	985	1,312	1,653	1,972
Operating expenses	(338)	(220)	(336)	(591)	(736)	(908)
Selling expense	(14)	(20)	(20)	(28)	(33)	(38)
Admin expense	(142)	(149)	(184)	(187)	(220)	(256)
R&D expense	(470)	(436)	(505)	(562)	(660)	(767)
Others	288	385	373	187	176	153
Operating profit	204	289	649	722	916	1,064
Share of (losses)/profits of associates/JV	(37)	(50)	(37)	20	20	20
Others	(60)	(171)	(152)	(94)	(102)	(112)
Pre-tax profit	107	68	460	648	834	972
Income tax	63	15	(181)	(84)	(125)	(146)
Minority interest	0	0	0	0	0	0
Net profit	170	84	279	563	709	826

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	8,594	11,107	10,546	11,770	14,045	15,721
Cash & equivalents	1,349	2,893	1,447	1,615	2,389	2,719
Account receivables	3,436	4,201	4,988	5,680	6,828	7,720
Inventories	1,184	1,778	1,976	2,340	2,692	3,148
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	3,997	4,170	4,423
PP&E	3,140	2,845	2,651	2,746	2,918	3,171
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	15,767	18,214	20,144
Current liabilities	7,249	9,666	9,085	9,953	11,833	13,102
Short-term borrowings	2,616	4,152	2,352	2,549	2,810	3,114
Account payables	4,584	5,437	6,563	7,234	8,853	9,818
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	10,225	12,105	13,374
Share capital	9	9	9	9	9	9
Other reserves	4,753	4,822	5,082	5,533	6,100	6,761
Total shareholders equity	4,767	4,832	5,091	5,542	6,109	6,770
Minority interest	0	0	0	0	0	0
Total equity and liabilities	12,285	14,943	14,448	15,767	18,214	20,144

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	107	68	460	648	834	972
Depreciation & amortization	640	728	842	842	927	1,025
Change in working capital	324	(470)	258	(384)	118	(382)
Others	0	0	0	0	0	0
Net cash from operations	1,194	(379)	965	1,115	1,856	1,582
Investing						
Capital expenditure	(1,149)	(1,046)	(1,348)	(937)	(1,099)	(1,279)
Others	0	0	0	0	0	0
Net cash from investing	(1,149)	367	(1,040)	(937)	(1,099)	(1,279)
Financing						
Dividend paid	0	0	0	(113)	(142)	(165)
Net borrowings	908	1,536	(1,799)	197	261	304
Others	(60)	15	427	(94)	(102)	(112)
Net cash from financing	848	1,551	(1,372)	(10)	17	26
Net change in cash						
Cash at the beginning of the year	1,743	1,349	2,893	1,447	1,615	2,389
Exchange difference	(1,288)	713	0	0	0	0
Cash at the end of the year	1,349	2,893	1,447	1,615	2,389	2,719
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(26.3%)	(8.9%)	28.9%	16.1%	17.3%	16.3%
Gross profit	(69.3%)	(6.0%)	93.6%	33.3%	25.9%	19.3%
Operating profit	(80.4%)	42.0%	124.5%	11.2%	26.9%	16.2%
Net profit	(80.3%)	(50.9%)	234.1%	101.9%	25.8%	16.5%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	3.9%	4.1%	6.1%	7.0%	7.5%	7.7%
Operating margin	1.5%	2.3%	4.0%	3.8%	4.2%	4.2%
Return on equity (ROE)	3.6%	1.7%	5.6%	10.6%	12.2%	12.8%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.3	0.3	0.2	0.2	0.1	0.1
Current ratio (x)	1.2	1.1	1.2	1.2	1.2	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	48.0	100.8	29.5	14.6	11.6	10.0
P/B	1.7	1.7	1.6	1.5	1.3	1.2
Div yield (%)	0.0	0.0	0.0	1.4	1.7	2.0
EV	4,767.4	4,831.8	5,091.4	5,542.1	6,109.4	6,770.4
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.

Disclosures & Disclaimers

Analyst Certification

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CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

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