

Willsemi (603501 CH)

FY21 revenue in line; Growth story stays intact

Willsemi announced preliminary results. FY21 revenue grew 21% YoY to RMB24.0bn, in line with our estimate of RMB24.47bn. FY21 net profit was RMB4,468mn-RMB4,868mn (65-80% YoY). Non-mobile CIS delivered significant growth (auto: 85% YoY and security: 70% YoY), which confirmed our previous forecast that non-mobile CIS will underpin future growth. Reiterate BUY with TP revised to RMB333.0 to reflect continuous impact from global semi shortage.

- **FY21 revenue was in line with our estimate.** FY21 revenue grew 21% YoY to RMB24.0bn (in line with our estimate of RMB24.47bn), of which semi business was RMB20.5bn (85.4% of total FY21 revenue vs. 87.1% for FY20). 4Q21 revenue declined 3%/3% YoY/QoQ due to seasonality and weaker smartphone sales of Android OEMs.
- **Significant growth in auto/security CIS (85%/70% YoY) confirmed our view that non-mobile CIS will be the future growth driver.** Although mobile CIS was negatively affected by weak Android smartphone sales, we believe high-end mobile CIS will continue outgrowing other categories in FY22. For non-mobile CIS segment, the revenue growth was significant. Auto CIS grew 85% YoY to RMB2.3bn and security CIS grew 70% YoY. In addition, Willsemi continues gaining market share in computer, AR/VR and medical devices. We believe Willsemi will maintain its strong momentum in non-mobile CIS in FY22.
- **Breakthrough in touch and display business under tight global supply.** Touch and display business's revenue was RMB1.8bn, growing at 160% YoY due to global semi shortage. Willsemi has started mass production of TDDI products for key smartphone OEMs in FY21. We expect the tight supply will not fully ease this year. In 2022, we expect the company will mass-produce OLED DDIC, which could contribute additional revenue.
- **Reiterate BUY with new TP at RMB333.0 based on 50x FY22E P/E.** We trimmed our forecast as the semi shortage is likely to stay longer than expected this year. New TP is based on same 50x FY22 P/E. Currently, Willsemi is trading at 33.8x FY22 P/E, and we believe the stock is attractive. Potential downside risks include: 1) worse-than-expected global economy that curbs consumer spending (i.e. continuous weaker Android smartphone sales) and 2) unfilled demand caused by semi shortage.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	13,632	19,824	24,039	31,208	37,762
YoY growth (%)	-	45.4%	21.3%	29.8%	21.0%
Gross profit margin %	27.4%	29.9%	33.9%	34.1%	34.0%
Net profit (RMB mn)	466	2,706	4,652	5,938	7,244
Net profit margin %	3.4%	13.7%	19.4%	19.0%	19.2%
EPS (RMB)	0.76	3.21	5.22	6.66	8.12
YoY growth (%)	-	322.4%	62.6%	27.6%	22.0%
Consensus EPS (RMB)	-	3.21	5.33	6.82	8.72
P/E (x)	296.0	70.1	43.1	33.8	27.7
ROE (%)	5.9%	23.5%	29.1%	25.3%	22.7%
Net gearing (%)	23.5%	6.7%	net cash	net cash	net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB 333.00
(Previous TP)	RMB 346.60)
Up/Downside	+48%
Current Price	RMB 224.94

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Stock Data

Mkt Cap (RMBmn)	196,985
Avg 3 mths t/o (RMBmn)	1,661
52w High/Low (RMB)	345/218.68
Total Issued Shares (mn)	875.7

Source: Bloomberg

Shareholding Structure

Yu Renrong	30.32%
SX Weihao Equity Invest. FD	9.23%
HKSCC	6.55%

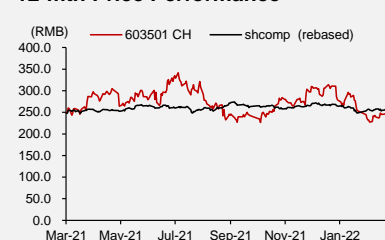
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-6.6%	-2.1%
3-mth	-28.7%	-21.2%
6-mth	-9.1%	1.5%

Source: Bloomberg

12-mth Price Performance



Auditor: BDO

Related Reports

1. Solid 4Q; Well poised to embrace 2022. Reiterate BUY – 28 Jan 2022 ([Link](#))
2. Long-term positive view unchanged with non-mobile CIS to power future growth – 1 Nov 2021 ([Link](#))
3. The next chapter beyond mobile CIS is coming – 27 Aug 2021 ([Link](#))

Figure 1: Earnings revision

US\$ mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	24,039	31,208	37,762	24,470	32,968	41,635	-2%	-5%	-9%
Gross Profit	8,146	10,637	12,850	8,261	11,260	14,293	-1%	-6%	-10%
Operating Profit	5,134	6,494	7,940	5,146	6,801	8,885	0%	-5%	-11%
Net profit	4,652	5,938	7,244	4,656	6,180	8,056	0%	-4%	-10%
EPS (US\$ cents)	5.218	6.660	8.125	5.222	6.932	9.035	0%	-4%	-10%
Gross Margin	33.9%	34.1%	34.0%	33.8%	34.2%	34.3%	0.1 ppt	-0.1 ppt	-0.3 ppt
Operating Margin	21.4%	20.8%	21.0%	21.0%	20.6%	21.3%	0.3 ppt	0.2 ppt	-0.3 ppt
Net Margin	19.4%	19.0%	19.2%	19.0%	18.7%	19.3%	0.3 ppt	0.3 ppt	-0.2 ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$ mn	CMBIGM			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	24,039	31,208	37,762	26,091	33,352	41,037	-8%	-6%	-8%
Gross Profit	8,146	10,637	12,850	8,795	11,249	13,883	-7%	-5%	-7%
Operating Profit	5,134	6,494	7,940	5,180	6,674	8,483	-1%	-3%	-6%
Net profit	4,652	5,938	7,244	4,653	5,935	7,619	0%	0%	-5%
EPS (US\$ cents)	5.218	6.660	8.125	5.334	6.818	8.720	-2%	-2%	-7%
Gross Margin	33.9%	34.1%	34.0%	33.7%	33.7%	33.8%	0.2 ppt	0.4 ppt	0.2 ppt
Operating Margin	21.4%	20.8%	21.0%	19.9%	20.0%	20.7%	1.5 ppt	0.8 ppt	0.4 ppt
Net Margin	19.4%	19.0%	19.2%	17.8%	17.8%	18.6%	1.5 ppt	1.2 ppt	0.6 ppt

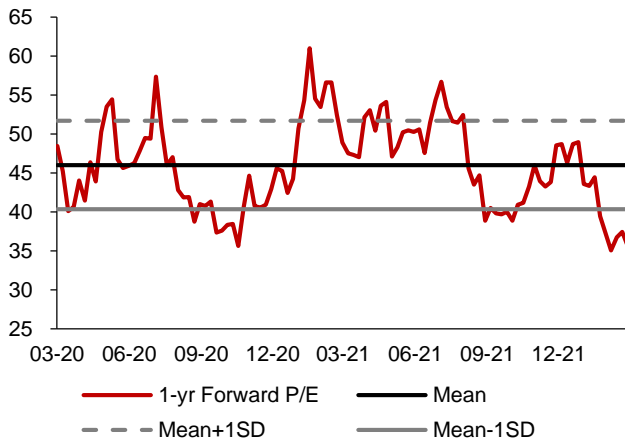
Source: Company data, CMBIGM estimates

Figure 3: Peers valuation

Company	Ticker	Mkt Cap US\$(mn)	Price (LC)	P/E (x)		P/B (x)		ROE (%)	
				FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Global CIS peers									
Willsemi	603501 CH	31,177	224.94	33.8	27.7	8.7	6.4	5.3	22.7
GalaxyCore	688728 CH	9,227	23.33	32.4	25.1	7.1	5.5	1.8	22.0
Sony	SONY US	122,855	97.42	16.4	15.2	2.3	2.0	13.7	15.2
Samsung	005930 KS	336,316	69500.00	10.0	8.8	1.4	1.2	14.4	14.4
STMicroelectronics	STM FP	32,462	32.71	11.4	10.8	2.7	2.2	27.3	22.3
ON Semi	ON US	24,129	55.79	13.4	12.4	4.2	3.5	33.0	26.4
Peers Avg.				20.1	16.8	5.0	3.9	22.7	20.6
	Peers Median			15.3	14.1	4.4	3.7	23.9	22.1
China fabless peers									
Willsemi	603501 CH	31,177	224.94	33.8	27.7	8.7	6.4	5.3	22.7
GalaxyCore	688728 CH	9,227	23.33	32.4	25.1	7.1	5.5	1.8	22.0
Gigadevice	603986 CH	15,908	150.60	35.5	28.2	6.5	5.5	19.6	20.1
Maxscend	300782 CH	12,247	231.99	28.4	21.9	9.8	7.0	36.6	33.3
Goodix	603160 CH	6,101	84.07	32.8	25.1	3.9	3.5	13.0	14.9
SG Micro	300661 CH	11,942	319.70	84.2	60.9	26.1	19.2	32.6	31.9
Peers Avg.				42.7	32.3	10.8	8.1	25.0	24.4
Peers Median				34.4	26.5	8.2	6.1	23.9	23.2

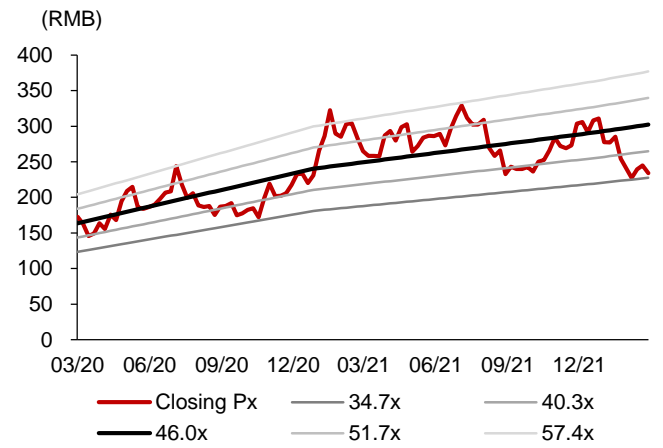
Source: Bloomberg and CMBIGM, as of 9 March 2022.

Figure 4: 12M forward P/E chart



Source: Company data, CMBIGM estimates

Figure 5: 12M forward P/B band



Source: Company data, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	13,632	19,824	24,039	31,208	37,762
COGS	-9,898	-13,894	-15,894	-20,571	-24,912
Gross Profit	3,734	5,930	8,146	10,637	12,850
SG&A	-1,132	-1,147	-1,142	-1,342	-1,624
R&D exp.	-1,282	-1,727	-1,971	-2,497	-3,021
Financing exp.	-274	-275	-290	-319	-265
Other opex	-260	176	392	14	-0
Operating profit	785	2,956	5,134	6,494	7,940
Non-operating income	6	44	1	35	22
Non-operating exp.	-6	-9	-4	-9	-9
Pre-tax profit	784	2,991	5,132	6,520	7,954
Income tax expenses	-79	-308	-433	-522	-636
Net profit	705	2,683	4,699	5,998	7,317
Non-controlling interests	240	-23	47	60	73
Net profit to shareholders	466	2,706	4,652	5,938	7,244

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Pretax profit	705	2,683	4,699	5,998	7,317
D&A	578	765	851	933	1,133
Change in working capital	-1,037	-221	-1,876	-1,389	-1,690
Others	560	117	5	468	503
Net cash from operating	805	3,345	3,680	6,010	7,262
Capex	-743	-1,133	-1,012	-1,454	-1,759
Purchase/sale of investments	-93	-373	-178	-128	-142
Purchase/sale of subs	-805	-1,163	-607	42	42
Other	-87	38	528	199	194
Net cash from investing	-1,728	-2,631	-1,269	-1,341	-1,665
Change in shares	380	683	-97	2,153	1,725
Change in debt	1,017	1,567	3,355	1,192	-789
Dividend/interests paid	-319	-413	-643	-928	-1,067
Other	41	-3	319	-160	68
Net cash from financing	1,120	1,835	2,934	2,258	-62
Net change in cash	198	2,548	5,344	6,926	5,535
Cash, beginning	2,921	3,116	5,423	10,706	17,571
Exchange difference	-2	-241	-61	-61	-61
Cash, end	3,116	5,423	10,706	17,571	23,046

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Current assets	10,881	13,913	21,140	31,320	39,025
Cash & equivalents	3,161	5,456	10,723	17,588	23,062
Trade & other receivables	2,577	2,583	3,070	4,125	4,715
Inventories	4,366	5,274	6,642	8,580	10,085
Other current assets	777	600	705	1,027	1,163
Non-current assets	6,596	8,735	10,060	10,798	11,937
PPE	1,588	1,871	1,768	1,950	2,244
Intangibles	1,334	1,509	1,690	1,427	1,180
Goodwill	2,249	2,800	3,005	2,964	2,922
Other non-current assets	1,425	2,556	3,596	4,457	5,591
Total assets	17,476	22,648	31,200	42,118	50,962
Current liabilities	7,606	6,845	8,423	11,135	10,372
ST debt & LT debt to mature	4,101	3,041	4,159	5,204	3,625
Trade & other payables	3,027	2,544	3,378	4,174	4,971
Other current liabilities	478	1,260	886	1,757	1,775
Non-current liabilities	1,915	4,278	6,778	7,503	8,639
LT debt	928	3,182	3,193	3,565	4,355
Bonds payables	0	0	2,225	2,000	2,000
Other non-current liabilities	987	1,096	1,361	1,938	2,284
Total liabilities	9,521	11,123	15,201	18,638	19,011
Total equity	7,955	11,525	15,999	23,480	31,952
Share capital	864	868	892	892	892
Reserves	6,650	7,248	11,911	12,094	12,277
Treasury stock	-649.3	-255.4	-5,040.4	-3,070.3	-1,527.5
Retained earnings	1,002	3,895	7,809	12,684	18,604
Other equities	60.3	-516.2	93.8	488.1	1,240.4
Minority interests	29	286	333	393	467
Total liabilities and equity	17,476	22,648	31,200	42,118	50,962

Key ratios

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue by segment					
CMOS	9,779	14,697	16,730	21,607	26,095
TDDI	0	744	1,942	2,980	3,621
Others	3,853	4,383	5,368	6,621	8,047
Total	13,632	19,824	24,039	31,208	37,762
CMOS %	71.7%	74.1%	69.6%	69.2%	69.1%
Growth (%)					
Revenue	40.5%	45.4%	21.3%	29.8%	21.0%
Adj. EBITDA	92.4%	173.1%	60.8%	24.1%	22.2%
Net profit	221.1%	481.2%	71.9%	27.6%	22.0%
Profit & loss ratio (%)					
Gross margin	27.4%	29.9%	33.9%	34.1%	34.0%
EBITDA margin	10.0%	18.8%	24.9%	23.8%	24.0%
Net profit margin	3.4%	13.7%	19.4%	19.0%	19.2%
Balance sheet ratio					
Net debt/total equity (%)	23.5%	6.7%	Net cash	Net cash	Net cash
Debt/EBITDA	3.7	1.7	1.6	1.5	1.1
Interest coverage	4.8	12.5	16.2	16.2	19.4
Cash conversion cycle (days)	130.9	123.1	133.5	128.0	128.5
Profitability (%)					
ROE	5.9%	23.5%	29.1%	25.3%	22.7%
ROA	2.7%	11.9%	14.9%	14.1%	14.2%
Per share data (RMB)					
EPS	0.76	3.21	5.22	6.66	8.12
BVPS	12.94	13.33	17.57	25.89	35.31

Source: Company data, CMBIGM estimates

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