Cowell E Holdings Inc (1415 HK)

1H26: Strong Bottom Line Beat On Better-than-expected Profitability

Highlights

- 1H26 bottom line surged on margin expansion, with net profit beating consensus estimates by 37.6% despite in-line revenue growth.
- Maintain BUY with a target price of HK$48.00.

1H26 Results

Year to 31 Dec (US$m)	1H25	2H25	1H26	yoy%	hoh%
Turnover	1,360	2,140	1,605	18.0	(25.0)
Gross profit	156	203	180	15.7	(11.3)
Operating Profit	95	145	108	14.5	(25.4)
Net Profit (reported)	67	130	90	33.3	(30.6)
Margin (%)					
Gross profit	11.4	9.5	11.2	(0.2)	1.7
Operating Profit	7.0	6.8	6.8	(0.2)	(0.0)
Net Profit	5.0	6.1	5.6	0.6	(0.5)

Source: Cowell, UOB Kay Hian

Analysis

- **1H26 delivered strong bottom line results supported by better-than-expected margins.** Revenue grew 18.0% yoy but fell 25.0% hoh to US$1.6b, landing at the midpoint of the company's preliminary range (US$1.5b to US$1.7b) and matching consensus estimates. Gross profit margin came in at 11.2%, beating consensus estimates by 1.4ppt (-0.2ppt yoy, +1.7ppt hoh) on production yield improvements and stronger-than-expected pricing power, while operating margin stood at 6.8% which is 1.8 ppt above consensus forecasts (-0.2 ppt yoy, unchanged hoh), on operational efficiency gains. This drove net profit to US$90m (+33.3% yoy, -30.6% hoh), beating consensus estimates of US$65m by 37.6%, and above the midpoint of the announced US$85m to US$94m range.
- We estimate that Cowell's iPhone dollar content should have registered a low-teens % hoh decline due to pricing pressure but remained stable yoy. However, this is more than offset by improvements in production efficiency, as evidenced by the better-than-expected margin performance.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	2,494	3,500	4,745	5,867	6,994
EBITDA	203	270	342	426	514
Operating profit	156	240	312	396	483
Net profit	119	197	266	336	414
Net profit (adj.)	119	197	266	336	414
EPS (US$ cent)	13.9	22.7	30.6	38.7	47.6
P/E (x)	21.9	13.0	9.6	7.6	6.2
P/BV (x)	5.0	3.5	2.6	1.9	1.5
EV/EBITDA (x)	13.8	10.1	7.9	6.4	5.3
Dividend yield (%)	0.0	1.5	2.1	2.7	3.3
Net margin (%)	4.8	5.6	5.6	5.7	5.9
Net debt to equity (%)	44.9	(2.9)	21.3	(0.2)	(7.2)
Interest cover (x)	10.8	17.1	29.0	27.9	36.1
ROE (%)	12.0	25.4	31.4	30.7	28.9
Consensus net profit	-	-	244	304	404.0
UOBKH/Consensus (x)	-	-	1.09	1.11	1.02

Source: Cowell, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$22.96
Target Price	HK$48.00
Upside	+109.1%

Stock Data

Sector	Electronics Components
Bloomberg ticker	1415 HK
Shares issued (m)	858
Market cap (HK$m)	19,798
Market cap (US$m)	2,538
3-mth avg daily t'over (US$m)	10.6

Price Performance (%)

52-week high/low				HK$43.06/HK$19.90
1mth	3mth	6mth	1yr	YTD
5.7	-22.6	-19.2	-24.2	-16.1

Major Shareholders (%)

Luxvisions Innovation Technology LTD	69.82

Balance Sheet Metrics

FY26 NAV/Share (HK$)	0.34
FY26 Net Debt/Share (HK$)	0.21

Price Chart

Source: Bloomberg

Company Description

Cowell e Holdings Inc. is a leading camera module manufacturer headquartered in Dongguan, China. The company specialises in flip-chip (FC) technology for high-precision optical modules, with over 90% of revenue derived from Apple. Its product portfolio includes front and rear camera modules for iPhones, iPads, and MacBooks, as well as Vision Pro camera systems. Cowell is a subsidiary of Luxvisions Innovation Technology (Luxshare group).

- **Cowell's content gains story remains intact.** While there had been concerns in the past few months regarding Apple's delayed product launches in 2H26, the issue should be widely known, with the negative impact already factored into its share price. Cowell's growth story remains unchanged, as we are expecting: a) share gains in ultrawide/periscope cameras, b) potential design wins in main cameras, and c) Cowell to be a primary beneficiary of Apple's share gains in the next 2-3 years

Valuation/Recommendation

- **We maintain BUY with a target price of HK$48.00** based on 19.8x 2026F PE, which is 1SD above its five-year historical forward mean.

Earnings Revision/Risk

- None for now. We will provide more updates after we talk to Cowell's management.

Share Price Catalyst

- Solid iPhone sales in 2H26.

Profit & Loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	3,500	4,745	5,867	6,994
EBITDA	270	342	426	514
Depreciation & amortization	30	30	30	30
EBIT	240	312	396	483
Total other non-operating income	-	-	-	-
Associate contributions	-	-	-	-
Net interest income/(expense)	(16)	(12)	(26)	(41)
Pre-tax profit	224	300	370	443
Tax	(29)	(36)	(44)	(53)
Minorities	2	1	1	1
Net profit	197	266	327	390
Net profit (recurrent)	197	266	327	390

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	368	702	865	1,029
Other LT assets	36	28	28	28
Cash/ST investment	149	51	358	560
Other current assets	990	1,359	1,470	1,841
Total assets	1,544	2,140	2,721	3,458
ST debt	30	133	263	379
Other current liabilities	646	875	1,000	1,231
LT debt	102	102	102	102
Other LT liabilities	35	35	35	35
Shareholders' equity	726	992	1,318	1,709
Minority interest	5	4	3	2
Total liabilities & equity	1,544	2,140	2,721	3,458

Cash Flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	248	166	396	320
Pre-tax profit	224	300	370	443
Tax	(29)	(36)	(44)	(53)
Depreciation/amortization	30	30	30	30
Associates	3	4	5	6
Working capital changes	21	(140)	14	(141)
Non-cash items	(15)	-	-	-
Other operating cashflows	13	8	21	35
Investing	(352)	(356)	(194)	(194)
Capex (growth)	(75)	(194)	(194)	(194)
Investments	(277)	(162)	-	-
Proceeds from sale of assets	-	-	-	-
Others	-	-	-	-
Financing	140	92	104	76
Dividend payments	-	-	-	-
Issue of shares	-	-	-	-
Proceeds from borrowings	1,168	1,185	1,176	1,181
Loan repayment	(1,012)	(1,081)	(1,047)	(1,064)
Others/interest paid	(16)	(12)	(26)	(41)
Net cash inflow (outflow)	36	(98)	306	202
Beginning cash & cash equivalent	113	149	51	358
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	149	51	358	560

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	10.2	9.8	9.8	9.8
Pretax margin	6.4	6.3	6.3	6.3
Net margin	5.6	5.6	5.6	5.6
ROA	13.2	14.4	13.4	12.6
ROE	31.4	30.7	28.2	25.7
Growth				
Turnover	40.3	35.6	23.7	19.2
Gross profit	23.3	29.1	23.8	19.2
Pre-tax profit	62.5	34.2	23.3	19.6
Net profit	65.4	34.9	23.1	19.4
Net profit (adj)	65.4	34.9	23.1	19.4
EPS	65.4	34.9	23.1	19.4
Leverage				
Debt to total capital	8.5	11.0	13.4	13.9
Debt to equity	18.0	23.6	27.6	28.1
Net debt to equity	(2.9)	21.3	0.6	(5.2)
Interest cover (x)	17.1	29.0	16.5	12.7

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