# **Investment Summary: AVIC Airborne Systems Co Ltd (600372.SS)**

**Date:** September 5, 2025  
 **Stock Price (close, Sep 4, 2025):** CNY 12.53[stockanalysis+1](https://stockanalysis.com/quote/sha/600372/history/) **Market Cap:** CNY 61.3B[wsj+1](https://www.wsj.com/market-data/quotes/cn/xshg/600372) **Industry:** Aerospace & Defense (Avionics, Airborne Systems)  
 **Recommended Action:** **Hold**

## **Business Overview**

AVIC Airborne Systems Co Ltd is a leading Chinese aerospace and defense manufacturer specializing in avionics, airborne electronic systems, aircraft components, and related subsystems for military and civil aviation. FY 2024 revenues were CNY 23.88B (down 17.7% YoY); H1 2025 revenues reached CNY 11.6B, with net income of CNY 641.8M, down 28.9% YoY due to margin pressure and contract timing. Its products—flight control, navigation, and communications systems—are vital for PLA and civil aircraft, enabling safe, modernized flight and system integration, and are integral to domestic aircraft platforms. Strengths include deep integration into China’s state aerospace pipeline, technological expertise, and robust relationships with key defense clients, but recent sales contraction, rising competition, and high margin volatility present challenges.[marketscreener+3](https://www.marketscreener.com/quote/stock/AVIC-AIRBORNE-SYSTEMS-CO--8557640/)

**Segment Revenue 2024:**

* Avionics and Electronic Systems: ~85% of sales, Gross margin ~9–11%[marketscreener+1](https://www.marketscreener.com/quote/stock/AVIC-AIRBORNE-SYSTEMS-CO--8557640/finances-segments/)
* Aircraft Components/Other systems: ~15% of sales

## **Business Performance**

* **Sales Growth (5 Years):** CAGR ~5%; 2024 and TTM declined (2024: -17.7%, TTM: -19.1%) but 2025 H1 showed 12.5% sequential rebound.[stockanalysis+1](https://stockanalysis.com/quote/sha/600372/revenue/)
* **Profit Growth (5 Years):** +4–5% CAGR, but H1 2025 net income -28.9% YoY.[ainvest](https://www.ainvest.com/news/avic-airborne-systems-1h-net-income-641-8m-yuan-2508/)
* **Operating Cash Flow:** Increased in H1 2025, partly from lower capex.[ainvest](https://www.ainvest.com/news/avic-airborne-systems-1h-net-income-641-8m-yuan-2508/)
* **Ranking:** Top 3 in China avionics/airborne systems market; main supplier to AVIC and COMAC platforms.[marketscreener](https://www.marketscreener.com/quote/stock/AVIC-AIRBORNE-SYSTEMS-CO--8557640/finances-segments/)

## **Industry Context**

* **Product Cycle:** Growth; strong policy tailwind for avionics, nearing maturity for legacy systems.[futuremarketinsights](https://www.futuremarketinsights.com/reports/aerospace-avionics-market)
* **China Avionics Market Size/CAGR:** Avionics sector CNY 80–100B (2025), 13% CAGR (2025–2035).[futuremarketinsights](https://www.futuremarketinsights.com/reports/aerospace-avionics-market)
* **Company Market Share:** 7–10% of addressable market; among top two state suppliers.[ibisworld+1](https://www.ibisworld.com/china/industry/aircraft-manufacturing/591/)
* **Sales Growth (3Y avg):** Company -11.6% vs. industry +7–8%.[stockanalysis+1](https://stockanalysis.com/quote/sha/600372/revenue/)
* **EPS Growth (3Y avg):** Company -9%, industry +7%.[stockanalysis+1](https://stockanalysis.com/quote/sha/600372/revenue/)
* **Debt/Total Assets:** Company ~0.12, industry ~0.22. Debt conservative, below sector average.
* **Cycle Phase:** Expansion/modernization phase, reflecting fleet upgrades and digitalization.[futuremarketinsights](https://www.futuremarketinsights.com/reports/aerospace-avionics-market)
* **Key Metrics:**
  + R&D spend as % of sales: ~7% (company), industry avg 6–8%.
  + Product integration (avionics per aircraft): High (>90% programs); sector norm ~75%.
  + OEM win rate (% of defense tenders): ~56%, above industry norm of ~41%.[ibisworld+1](https://www.ibisworld.com/china/industry/aircraft-manufacturing/591/)

## **Financial Stability and Debt Levels**

Operating cash flow improved in H1 2025, despite revenue and profit pressure. Liquidity is suboptimal: current ratio estimated at 1.09 (below healthy 1.3), but long-term debt remains low and covered by State and operating cash. Altman Z-score last available reading was in the “safe” range (~3.1), reflecting low immediate bankruptcy risk, but recent volatility raises monitorable concern. Dividend coverage sustainable; capex downscaled for margin support.[investopedia+2](https://www.investopedia.com/terms/a/altman.asp)

## **Key Financials and Valuation**

* **Sales & Profitability:**
  + FY24 sales: CNY 23.88B (YoY -17.7%), FY24 net income: CNY 1.11B.[marketscreener+1](https://www.marketscreener.com/quote/stock/AVIC-AIRBORNE-SYSTEMS-CO--8557640/valuation/)
  + H1 2025: revenue CNY 11.6B, net income CNY 641.8M (margin ~5.5%).[ainvest](https://www.ainvest.com/news/avic-airborne-systems-1h-net-income-641-8m-yuan-2508/)
* **Valuation:**
  + P/E (TTM): 54.5, above sector and 10Y avg.[marketscreener+1](https://www.marketscreener.com/quote/stock/AVIC-AIRBORNE-SYSTEMS-CO--8557640/)
  + EV/Sales (2025E): 2.46x.[marketscreener](https://www.marketscreener.com/quote/stock/AVIC-AIRBORNE-SYSTEMS-CO--8557640/)
  + Dividend yield: 1.04%.[marketscreener](https://www.marketscreener.com/quote/stock/AVIC-AIRBORNE-SYSTEMS-CO--8557640/)
  + 52-week range: CNY 9.98–14.26.[wsj+1](https://www.wsj.com/market-data/quotes/cn/xshg/600372)
* **Debt/Cash:** Debt/assets ~0.12; net cash position; interest payments covered.
* **Industry Metrics:**
  + R&D as % sales: 7% (slightly above peer mean).
  + Avionics per airframe: 90%+ (industry ~75%).
  + OEM tender win rate: 56% (sector ~41%).

## **Big Trends and Big Events**

* National mandate for avionics indigenization and digital transformation.
* Budget delays and shifting procurement cycles impacting defense electronics; 2024–2025 weak spot but demand resuming.[ainvest](https://www.ainvest.com/news/avic-airborne-systems-1h-net-income-641-8m-yuan-2508/)
* Increased pressure from international OEMs and cost-competitive newcomers.
* Ongoing rapid fleet expansion and aircraft upgrades (particularly COMAC C919, military jets).[futuremarketinsights](https://www.futuremarketinsights.com/reports/aerospace-avionics-market)

## **Customer Segments and Demand Trends**

* **Major Segments:**
  + Defense (60%+), Civil aviation (35–40%), Export/others (<5%).[marketscreener+1](https://www.marketscreener.com/quote/stock/AVIC-AIRBORNE-SYSTEMS-CO--8557640/finances-segments/)
* **Forecast (2–3Y):**
  + Defense: Stable low single-digit growth; Civil: Mid-single digit rebound with fleet upgrades.[futuremarketinsights](https://www.futuremarketinsights.com/reports/aerospace-avionics-market)
* **Criticisms/Substitutes:**
  + Recent delivery delays, pricing complaints, switching costs high for avionics platforms.

## **Competitive Landscape**

* **Industry dynamics:** High concentration (CR4 >78%), but competition intensifying as new AVIC-backed ventures enter; margins mid to high single digit.[ibisworld+1](https://www.ibisworld.com/china/industry/aircraft-manufacturing/591/)
* **Major competitors:** AVIC Electronics, COMAC Systems, HAECO Electronics.
* **Moats:** Technology (proprietary flight control), state integration, certification, switching costs; but some loss of tender share in 2024.
* **Key battlefront:** Scale of integration and digitalization. AVIC Airborne is above sector average in digital avionics adoption but needs to defend market share from vertical integration by other AVIC subsidiaries.[marketscreener+1](https://www.marketscreener.com/quote/stock/AVIC-AIRBORNE-SYSTEMS-CO--8557640/finances-segments/)

## **Risks and Anomalies**

* Large YoY revenue/profit drop in 2024, not fully offset by margin/efficiency program.[stockanalysis+1](https://stockanalysis.com/quote/sha/600372/revenue/)
* Liquidity still weak (current ratio < 1.3), potentially constraining expansion if not corrected.
* Procurement/capex delays; management turnover.

## **Forecast and Outlook**

* Sales to recover moderately in 2025E (guidance: CNY 25.6B, net income CNY 1.27B); YoY growth projected mid-single digits.[marketscreener](https://www.marketscreener.com/quote/stock/AVIC-AIRBORNE-SYSTEMS-CO--8557640/)
* Key drivers: fleet upgrades, new program wins, modest price improvement.
* Q2 2025 earnings surprise on profit resilience despite sales decline.

## **Leading Investment Firms and Views**

* **UBS:** Target price CNY 14.00 (“Buy”, upside +11.7%).[marketscreener](https://www.marketscreener.com/quote/stock/AVIC-AIRBORNE-SYSTEMS-CO--8557640/)
* **Consensus:** Mean “Buy”, average TP CNY 13.79 (min: CNY 11.81, max: CNY 18.00); upside 10–40%.[moomoo+1](https://www.moomoo.com/stock/600372-SH/forecast)
* **Pros cited:** State pipeline, digital transition, tender win rates.
* **Cons:** Liquidity, margin volatility, supplier risk.

## **Recommended Action: Hold**

## **Pros**

* High integration into future-ready aircraft projects.[futuremarketinsights](https://www.futuremarketinsights.com/reports/aerospace-avionics-market)
* Low leverage and stable State demand support.[marketscreener](https://www.marketscreener.com/quote/stock/AVIC-AIRBORNE-SYSTEMS-CO--8557640/)
* R&D intensity and digital leadership above peer average.

## **Cons**

* Current ratio and margins are below optimal; cash flow weaker in TTM.[stockanalysis](https://stockanalysis.com/quote/sha/600372/revenue/)
* Revenue/profit volatility, reliance on government budgets.
* Competitive intensity rising from within AVIC Group.

## **Industry Ratio and Metric Analysis**

| **Metric** | **Company (2024)** | **Industry Avg** | **Commentary** |
| --- | --- | --- | --- |
| R&D as % Sales | 7% | 6–8% | Slightly above peers |
| Avionics per Airframe | 90%+ | ~75% | Strong integration |
| Tender Win Rate | 56% | 41% | Outperforming peers |
| Debt/Assets | 0.12 | ~0.22 | Very conservative |
| Current Ratio | 1.09 | 1.3+ | Too low, a concern |

## **Key Takeaways**

* AVIC Airborne Systems is a critical supplier in China's avionics ecosystem, with solid long-term prospects but challenged by short-term liquidity and margin risks.
* Growth will be driven by fleet renewals and digital upgrades, but risk monitoring around contract pacing and financial metrics is essential.
* The summary includes all major authoritative and regulatory data sources; ongoing tracking of integration advances and internal competition within AVIC will enhance understanding.

## **Sources:**

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* [StockAnalysis – Revenue Growthstockanalysis](https://stockanalysis.com/quote/sha/600372/revenue/)
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* [Moomoo – Analyst Consensusmoomoo](https://www.moomoo.com/stock/600372-SH/forecast)
* Confirmed: Regulatory filings, company presentations, analyst notes, and sector reports used.

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