

Wingtech (600745 CH)

Resilient 1Q semiconductor sales; non-profitable ODM business to be deconsolidated

Wingtech released its 1Q25 earnings. Revenue declined by 19.4% YoY to RMB13.1bn, while net profit surged by 82.3% YoY to RMB261mn. GPM recovered to 14.0% (vs. 9.1%/9.2% in 4Q24/1Q24). By segment, ODM/ semi accounted for 72%/28% of 1Q sales. The company has entered a transformation phase following the divestment of its ODM business. With a focus now solely on the semi segment, we expect it will be the core growth driver, benefitted by 1) strong growth in AI servers, 2) recovering demand from consumer and industrial markets, 3) growing penetration of EVs and increasing dollar content per NEV (US\$20-US\$30 per ICE vehicle vs. up to US\$100 per EV), and 4) emerging demand drivers such as humanoid robotics. **Maintain BUY with TP unchanged at RMB52.**

- **Semi segment delivered resilient growth**, with revenue up 8.4% YoY to RMB3.7bn in 1Q25, benefitted by volume surge (1Q shipment reached three-year high). Mgmt. said the company's capacity was close to full utilization. By geography, China (47% of FY24 segment revenue) outperformed at 24% YoY in 1Q25 with increasing demand from multiple markets, such as recoveries in industrial, consumer, auto markets and strong growth in AI DC and server demand. The company continues to expand its analog IC portfolio, targeting the commercialization of more than 200 new SKUs in 2025. We expect Wingtech's semi sales to reach RMB16.3bn (up 11% YoY) in 2025, with GPM remaining stable at 38.5%. We forecast its semi segment's NP to be RMB2.6bn in 2025, implying 16% NPM (vs. 15.9%/15.6% in 2023/24).
- **ODM business to be deconsolidated post spin-off.** The ODM segment recorded a revenue of RMB9.4bn (down 24% YoY) with a GPM of 4.3%, and incurred a net loss of RMB164mn (excluding RMB110mn CD-related expenses). Mgmt. mentioned that the ODM-related assets have been transferred in Jan 2025. Losses related to Android ODM business in 1Q would be borne by Luxshare ([report](#)). Post spin-off, the non-profitable legacy business will have no impact on the company's financials.
- **Maintain BUY with unchanged TP at RMB52.** Following the completion of the divestiture, we expect the market to re-rate the company on a pure-play semi basis. We have revised down our forecast on revenue, as we excluded ODM segment from our calculations. NP is less affected, however, given that ODM business is close to breakeven (even though still not profitable). **We cut FY25E NP forecast by 7% on a more conservative lower margin of the semi segment.** Our TP is based on 26.5x FY25E P/E, close to its peers' average and higher than prev. 25x on better sentiment as Wingtech is phasing out its low margin business. **Potential risks include:** heightened US-China trade relations, unfavourable exchange rates, and weaker-than-expected overseas auto inventory correction.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	61,213	73,598	25,643	17,836	19,501
YoY growth (%)	5.4	20.2	(65.2)	(30.4)	9.3
Gross margin (%)	16.1	9.8	26.3	38.6	37.0
Net profit (RMB mn)	1,181.2	(2,833.0)	2,437.1	3,032.9	3,421.8
YoY growth (%)	(19.1)	na	na	24.4	12.8
EPS (Reported) (RMB cents)	95.00	(228.00)	195.82	243.69	274.94
P/E (x)	35.4	ns	17.2	13.8	12.2

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB52.00
Up/Downside 54.6%
Current Price RMB33.64

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Stock Data

Mkt Cap (RMB mn)	41,807.8
Avg 3 mths t/o (RMB mn)	624.1
52w High/Low (RMB)	49.98/24.23
Total Issued Shares (mn)	1242.8

Source: FactSet

Shareholding Structure

WENTIANXIA TECH GRP	12.4%
WUXI GUOLIAN INTE CIR INV	8.8%

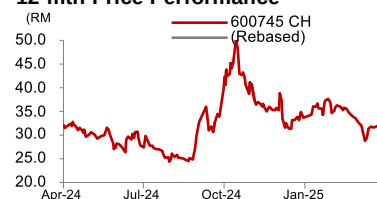
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	0.8%	NM
3-mth	-0.1%	NM
6-mth	-15.5%	NM

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	25,643	17,836	19,501	80,197	84,823	NA	-68%	-79%	NA
Gross profit	6,740	6,888	7,224	10,586	12,554	NA	-36%	-45%	NA
Net profit	2,437	3,033	3,422	2,611	3,785	NA	-7%	-20%	NA
EPS (RMB)	1.96	2.44	2.75	0.74	2.06	NA	165%	18%	NA
Gross margin	26.3%	38.6%	37.0%	13.2%	14.8%	NA	13.1 ppt	23.8 ppt	NA
Net margin	9.5%	17.0%	17.5%	3.3%	4.5%	NA	6.2 ppt	12.5 ppt	NA

Source: Company data, CMBIGM estimates

Figure 2: Comps table

Company	Ticker	Mkt Cap US\$(mn)	Price (LC)	P/E		EPS (US\$)	
				FY25E	FY26E	FY25E	FY26E
Overseas							
Infineon	IFX GY	44,617	30.13	19.3	13.6	1.78	2.53
Onsemi	ON US	16,726	39.63	16.2	11.1	2.44	3.56
STM	STM US	21,215	23.28	35.4	15.4	0.66	1.51
NXP	NXPI US	49,088	193.55	16.4	13.6	11.81	14.22
Diodes	DIOD US	1,790	38.53	29.0	17.0	1.33	2.27
Vishay	VSH US	1,748	12.90	14.9	8.4	0.86	1.53
Wolfspeed	WOLF US	509	3.27	-	-	-3.42	-2.27
Average				21.9	13.2	2.2	3.3
Domestic							
Silan	600460 CH	5,508	24.39	41.5	22.2	0.05	0.08
CR Micro	688396 CH	8,519	47.18	39.0	41.1	0.13	0.17
Starpower	603290 CH	2,652	83.02	21.0	18.5	0.53	0.60
Yangjie Elec.	300373 CH	3,558	48.05	21.8	17.7	0.30	0.37
CRRC	688187 CH	7,431	45.35	14.6	13.1	0.43	0.48
Average				27.6	22.5	0.3	0.3

Source: Bloomberg consensus, CMBIGM

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	58,079	61,213	73,598	25,643	17,836	19,501
Cost of goods sold	(47,534)	(51,369)	(66,409)	(18,903)	(10,948)	(12,277)
Gross profit	10,545	9,844	7,189	6,740	6,888	7,224
Operating expenses	(6,769)	(6,405)	(6,037)	(3,341)	(3,086)	(3,047)
Selling expense	(919)	(886)	(953)	(459)	(357)	(341)
Admin expense	(2,320)	(2,277)	(1,968)	(1,037)	(904)	(905)
SG&A expense	(136)	(184)	(158)	(60)	(42)	(46)
R&D expense	(3,394)	(3,057)	(2,958)	(1,784)	(1,784)	(1,755)
Operating profit	3,776	3,439	1,152	3,400	3,802	4,176
Other income	436	292	239	46	26	21
Other expense	(560)	(570)	(456)	(454)	(219)	(157)
Gain/loss on financial assets at FVTPL	(371)	4	13	0	0	0
Investment gain/loss	61	25	222	94	18	20
Other gains/(losses)	(1,229)	(1,202)	(3,053)	(139)	(124)	(115)
EBITDA	2,112	1,988	(1,883)	2,946	3,504	3,945
Other income/expense	(5)	(8)	(28)	3	2	2
Pre-tax profit	2,107	1,980	(1,911)	2,949	3,506	3,947
Income tax	(747)	(1,014)	(947)	(564)	(526)	(592)
After tax profit	1,360	967	(2,858)	2,386	2,980	3,355
Minority interest	(100)	(215)	(25)	(51)	(53)	(67)
Net profit	1,460	1,181	(2,833)	2,437	3,033	3,422
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	29,829	29,748	30,944	28,091	31,576	35,114
Cash & equivalents	7,873	5,637	7,973	13,179	13,843	17,818
Restricted cash	955	572	(139)	(3,634)	0	0
Account receivables	8,615	9,398	11,332	9,066	8,525	7,578
Inventories	10,132	10,596	8,641	6,724	6,474	6,981
Prepayment	204	144	327	78	56	60
Financial assets at FVTPL	843	1,204	1,766	1,766	1,766	1,766
Other current assets	1,206	2,197	1,044	913	913	913
Non-current assets	46,861	47,220	44,034	39,985	38,188	37,014
PP&E	10,524	11,154	11,175	9,075	8,535	8,648
Right-of-use assets	859	579	467	346	293	262
Deferred income tax	1,285	1,219	1,068	846	846	846
Investment in JVs & assos	500	452	339	339	339	339
Intangibles	4,991	5,584	5,025	4,442	3,595	2,653
Goodwill	22,188	21,697	21,498	21,299	21,101	20,902
Financial assets at FVTPL	434	416	493	278	83	(93)
Other non-current assets	6,080	6,119	3,969	3,360	3,396	3,456
Total assets	76,690	76,968	74,978	68,077	69,763	72,129
Current liabilities	26,674	27,649	27,746	18,562	17,281	16,304
Short-term borrowings	7,951	9,286	9,659	3,290	2,883	2,150
Account payables	16,163	16,441	16,261	13,655	12,786	12,540
Tax payable	381	290	391	457	457	457
Other current liabilities	909	694	458	420	420	420
Contract liabilities	68	17	21	12	7	8
Accrued expenses	1,201	921	955	729	729	729
Non-current liabilities	13,402	11,653	12,391	12,529	12,562	12,594
Long-term borrowings	2,617	278	168	304	337	370
Bond payables	7,556	7,943	8,302	8,302	8,302	8,302
Obligations under finance leases	621	437	339	283	283	283
Deferred income	1,482	1,914	2,516	2,605	2,605	2,605
Other non-current liabilities	1,126	1,081	1,066	1,035	1,035	1,035
Total liabilities	40,076	39,302	40,137	31,091	29,843	28,898
Share capital	2,790	2,786	2,788	2,788	2,788	2,788
Capital surplus	(197)	(200)	(200)	(400)	(400)	(400)
Retained earnings	7,668	9,023	6,129	8,521	11,509	14,886
Other reserves	25,638	25,557	25,651	25,655	25,655	25,655
Total shareholders equity	35,899	37,166	34,368	36,564	39,552	42,929
Minority interest	715	499	473	422	368	302

Total equity and liabilities	76,690	76,968	74,978	68,077	69,763	72,129
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CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	48,898	52,340	63,555	2,386	2,980	3,355
Depreciation & amortization	2,714	3,020	3,094	3,229	3,236	3,448
Tax paid	81	510	752	311	0	0
Change in working capital	(4,632)	(664)	(1)	1,733	44	323
Others	(45,398)	(49,380)	(61,957)	465	335	286
Net cash from operations	1,664	5,824	5,443	8,123	6,596	7,412
Investing						
Capital expenditure	(6,927)	(4,891)	(3,052)	(1,993)	(2,198)	(3,033)
Acquisition of subsidiaries/ investments	(213)	(297)	1,375	4,002	(3,223)	394
Net proceeds from disposal of short-term investments	14	60	129	2,215	450	467
Others	0	0	0	0	0	0
Net cash from investing	(7,127)	(5,127)	(1,549)	4,225	(4,971)	(2,172)
Financing						
Dividend paid	(449)	(303)	(375)	(584)	(458)	(437)
Net borrowings	2,671	(2,018)	(22)	(6,233)	(374)	(700)
Proceeds from share issues	13	0	67	(196)	0	0
Others	(227)	(643)	(242)	(107)	(107)	(107)
Net cash from financing	2,008	(2,964)	(572)	(7,121)	(939)	(1,245)
Net change in cash						
Cash at the beginning of the year	11,250	7,873	5,637	7,973	13,179	13,843
Exchange difference	100	32	(21)	(21)	(21)	(21)
Others	(3,476)	(2,268)	2,358	5,227	686	3,996
Cash at the end of the year	7,873	5,637	7,973	13,179	13,843	17,818
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	10.1%	5.4%	20.2%	(65.2%)	(30.4%)	9.3%
Gross profit	23.6%	(6.6%)	(27.0%)	(6.2%)	2.2%	4.9%
Operating profit	28.6%	(8.9%)	(66.5%)	195.0%	11.8%	9.8%
EBITDA	(28.4%)	(5.9%)	na	na	18.9%	12.6%
Net profit	(44.1%)	(19.1%)	na	na	24.4%	12.8%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	18.2%	16.1%	9.8%	26.3%	38.6%	37.0%
Operating margin	6.5%	5.6%	1.6%	13.3%	21.3%	21.4%
EBITDA margin	3.6%	3.2%	(2.6%)	11.5%	19.6%	20.2%
Return on equity (ROE)	4.2%	3.2%	(7.9%)	6.9%	8.0%	8.3%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.0)	0.0	0.0	(0.0)	(0.0)	(0.0)
Current ratio (x)	1.1	1.1	1.1	1.5	1.8	2.2
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	28.8	35.4	ns	17.2	13.8	12.2
P/E (diluted)	28.8	35.4	ns	17.2	13.8	12.2

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

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